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**Can we really
spend our way
out of
this mess?**

THE CASE AGAINST THROWING BILLIONS AT THE ECONOMY BY ANDREW COYNE P.20

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Sid Ryan's foreign policy includes only Israel



ANDREW FOSTER

A picture of the agony was widely circulated on the Internet, sparking an intense debate over whether the man was an effusive anti-Semite, or a gay Israeli plane trying to make the protesters look like effeminate anti-Semites.

The episode underscores one of the oddest things about Sidney, which is that you often can't tell the real Sidney from the people only pretending to be Sidney in order to make other people look effeminate.

Consider the case of Sid Ryan, head of the Ontario wing of the Canadian Union of Public Employees. Last Monday, Ryan announced his union would table a resolution to ban Israeli academics from any activities on the province's university campuses unless they explicitly condemn Israel's ongoing military operations in Gaza.

Ryan described the resolution as the "logical next step" in the union's approach to Israel. In May 2006, CUPE Ontario adopted a letter to its members in response to Israel's war with Hezbollah, in the south of Lebanon. That move was more or less a copycat of an earlier taken by Britain's National Association of Teachers in Further and Higher Education, the mildly anti-Israel union of university lecturers, or (better known) professors who did not publicly disassociate themselves from their government. The point of that was leading resolution was to encourage British lecturers to sever ties with Israeli colleagues who were not suitably pro-Israelist.

There are two reasons to be concerned with this latest outbreak from CUPE. The first, and most easily dealt with, is academic freedom and the question of whether any university teachers' organisation should be in the busi-

ness of holding foreign academics responsible for the actions of their government.

While CUPE is calling for essentially, it is a form of thought control, something no one associated with any institution of higher learning should tolerate. The great advantage, indeed, the whole point of the very union is that it wills itself out from political dogmatism, allowing its members to get on with the search for truth. Academic research cannot follow fashion or ideology or be limited by lines drawn on maps. Which is why makes CUPE's resolution so obscene: handing over truth as a hostage to the Israeli-Palestinian conflict is an abdication of the university's mission.

Thirdly, there is no reason to think that CUPE's resolution might have any practical



He's never demanded American or Russian scholars denounce Bush or Putin

ness, since hardly anyone who teaches at an Ontario university falls under the union's members anyway. The deeper worry relates to the underlying motivation behind Sid Ryan's adventures in foreign policy, which are suspiciously narrow in their target.

After all, there was no mention of boycotting Palestinian academics before the recent invasion, while Hamas was air-raiding bombs onto Israeli neighbourhoods by the hundreds. And again, CUPE has never once demanded that American academics denounce George W. Bush, or most that Russian professors criticise Vladimir Putin, before they should be allowed to set foot on an Ontario campus. Could there be something more sinister at work than mere concern for the immediate plight of the Gazans?

Many of Sid Ryan's supporters have defended his proposed boycott on the grounds

that it is anti-Israel in intent, not anti-Semitic. But the more we parse what Ryan has to say, the more that looks like a distinction without a difference.

First, he compared the actions of the Israeli army to those of the Nazis during the Second World War. He apologised for that remark, calling it "naïve" and explaining that he got "lost" as he got up in the emotion of the moment. But after the *National Post* wrote an editorial calling him a "bigot," Ryan fired back with a letter in which he referenced the "centrist stereotypes committed by an ever-expanding apartheid regime," i.e., Israel. It appears Sid Ryan is easily caught up in the emotion of letter-writing.

He probably thinks he's being clever, knocking apartheid-era South Africa and Nazi Germany. But the notion that Zionism is a form of fascism has become one of the oddest and most poisonous theories of the last few decades. Perhaps, it is naive that only giant cretins and the victims and terror perpetrated by the Palestinians. After all, given the argument only a people capable of the very depths of despair could bring themselves to strap bombs to their children and send them into crowded markets and commuter buses.

By this twisted logic, the more innocent the Palestinians act, the more culpable

Israel must be. The alternative possibility—that Hamas is running an ultra-criminal death cult—is never seriously considered.

Sid Ryan has become a parody of himself. In his letters, a walking cliché of exhortation and barely hidden anti-Semitism. There are two possible explanations for his behaviour. The first is that he really believes the things he says, a frightening possibility that makes one wonder how much longer CUPE Ontario can stand to be associated with the man.

The second, and more plausible, hypothesis is that he's an Israeli sleeper agent, an office provocateur whose mission is to serve Zionism by bringing the academic anti-Israel lobby into knee-slapping discipline. In which case he's doing a fabulously good job. ■

ON THE WEB: For more Andrew Foster visit his blog at www.andrewfoster.ca/andrewfoster/



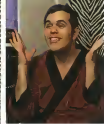
HOW MANY RESOURCES AND POLLUTANTS

does it take to make a light bulb?

More than it should. The reality is, even energy-efficient products don't always come from energy-efficient beginnings. Consider for a second what goes into producing, powering and transporting products around the world like hybrid cars, appliances and yes, even energy-efficient light bulbs. Until they're manufactured in a carbon-neutral way, transported on low-emission vehicles, and powered in our homes by cleaner energy including wind and solar, green products

will never be as green as they can be. While your commitment to use energy-efficient products is still better for our planet, that commitment will mean so much more when we have a fair, effective, science-based agreement on climate change. That's why WWF is working with government and industry to make that happen and get to the root of climate change. Working together we're confident that a vibrant, low-carbon economy is possible. But the time for action is now.





INTERVIEW

'Some celebrities use pregnancy and their child to get ahead. As I say, 'Sell your first-born.' Even Angelina Jolie does that.'

PEREZ HILTON TALKS TO ANNE KINGSTON ABOUT JOHN TRAVOLTA'S TRAGEDY, HIS ISSUE WITH AVRIL LAVIGNE, AND THE NEW 15 SECONDS OF FAME

Maria Antonella Lamasandra Jr. is the 16-year-old Los Angeles-based blogger, radio host and television personality behind the popular, trash celebrity gossip website PerezHilton.com, and the author of the new book *Per Hilton: The new girl on the block* (Jan. 2005) where it was the first to post a photograph of Brad Pitt and Angelina Jolie on an African beach, thus confirming their rumored relationship. Hilton's first book, *Hot Carpet Stories: A Survival Guide on Keeping Up With the Hiltons*, will be published in Canada this week.

Q You're writing about how, as you call it, "able to fame themselves," offering advice on how to become a "celeb" applied with a smidgen of "Dewey" Hilton. As you "Hilton" I don't mean Paris or Nicky or her parents. I mean this group of people who are famous for being famous—who don't have cash, if any, talent. There seems to be a lot of them these days.

A The strongest you lay out are pretty extreme—adopting an outrageous getting child with DDT, doing a public wedding, even early death. It there any law that wannabe celebrity shouldn't cross?

A Obviously the book is meant to make you laugh. You shouldn't really follow all these 12 steps unless you really, really want to be famous that badly. And there are some people who want it that badly. Having said that, there's some truth in business, there's

steps are based on reality. And I guess it's a cautionary tale. Be careful, be careful with fame because you can get it and it's not always what it seems.

Q True, you describe Anna Nicole Smith as the ideal "Hilton." Not many would want her as a role model.

A [Laughs] Maybe Brandy Spears would fit that the old litany. The new litany is on track and hopefully will do a lot better this year.

Q Is there any story you won't touch?

A Absolutely. For example, after the death of John Travolta's son, the paparazzi were helicoptering taking aerial pictures of the property and the funeral. I refuse to run those pictures. I don't think they're appropriate because they don't discuss a story. There's nothing noteworthy about it and it's really making that painful time for John Travolta and his wife even more painful. That's not to say I will not cut the issue with dead gloves, if there is something new I will report it. For example, I did touch on the issue of [Travolta's son's] caretaker and talk about whether his son was taking medication or not because it's noteworthy if John Travolta was neglecting the health of his own child.

Q You reference Andy Warhol in the book's foreword and afterward. Do you view yourself as the reborn of his muscle?

A Yes. I was interested in pop culture and celebrity in the same way I am. He realized that curiosity in his art. Mine finds its

way onto my website and my new book. He talked about the 15 minutes of fame. I talk about the 15 seconds everyone wants these days. Fame is a lot more volatile today, even for those without any real talent.

Q You write about gossip as a form of social marketing, saying publicists will trade information about an act celebrity for mention on a product or a C. Is celebrity in vogue. Do you see yourself as part of that machine?

A Absolutely. It's just as much a game as it is a machine. And like any sport you need to play the game as you'll be in the danger. It's all an idealism, as any sport should be. I don't want to hurt anyone and I don't want to go too far either. I like to be biting but I don't want to draw blood. There's a difference.

Q David Drelich's new book *Sex, Scandal, and the Web* (Jan. 2005) is a collection of sex scandals, scandals, and the web. Do you see yourself as a contributor to the current scandalous sex scandals public discourse? Any comment?

A I haven't read [Drelich's] book, nor do I know who he is, but I think him for the mention.

Q You're openly gay and you support gay rights. Yet you've received a lot of heat for using celebrities on your site. What's your disgust?

A Anyone that chooses to be an actor or politician is realizing a choice to lead their life in the public eye. And I don't call what I'm "outing" I call it reporting, because I'm saying someone is gay if they because I know for a fact they are. However, just because I report

on the private life of a public figure doesn't mean that person is going to expose you. You Lance Bass came out, you T.K. Knight came out, you Neil Patrick Harris came out.

Q Is your book you write that you believe the reason that Oprah Winfrey is a lesbian. Do you have evidence?

A Oh I have evidence that she's gay? No. Do I have evidence she's not gay? No.

Q What about her long-term boyfriend?

A That means nothing.

Q You mention on the book that you'll never see Jennifer Aniston and "her" as the same person. Do you have a crack legal team?

A I always obey the law. Sometimes people will use me to make an example of myself. I don't know anything about it, I'm not worrying about it, I'm not busy working. That's why they don't happen too often. And I tend to win there. Just this year I won a lawsuit against Samantha Ronson, Lindsay Lohan's ex-girlfriend.

Q Aniston doesn't do as much thing as had public exposure but suddenly there are stories people do about her. Have people approached you to buy your talent?

A Not really. They know that they can't.

Q You write about celebrities controlling their own publicity by paying for paparazzi coverage. What do celebrities want?

A I'd say in the last year—and I have to give them credit—Samantha Ronson and Heidi Montag from The Hills really worked it very well in regards to making their own photo and controlling from those pictures. They have outplayed Lauren Conrad in terms of fame and she's the star of the show.

Q Is the global financial crisis affecting when you do a wonder how long interest in the people who are famous for being famous, like Heidi and Spencer, can continue?

A I don't see Heidi and Spencer, a.k.a. "Spencer," going away any time soon. They're still got a real wedding to plan. And a baby they're still doing to raise.

Q Over the past three years you've become famous in the real world with a website, clothing line, radio show and TV appearances. Do you see that as compromising your ability to report on celebrity?

A No, as much of an insider as I become I still will always be an outsider. It's just the essence of me being what I am and doing what I do. I'm not at all allowed at the Chateau Marmont hotel [in L.A.].

Q Why?

A They say they really value the privacy of celebrities and my presence would upset any celebrities who are there or having dinner there or whatever. There are still a lot of peo-

ple I'm not invited to. And you know what? I don't really care if people don't like me. The only thing I care about is if they are reading my website.

Q Why do you think your website is so popular?

A The fact that I was one of the first directly helped. I also work harder than everyone else. I do the website by myself, by 10 p.m. most days and then stay up by 10 p.m. with dozens of staffers. People like knowing that there will always be new stuff to read every time they visit. And they also get the latest breaking celebrity news there first. I just about covered up things that keep my readers coming back.

Q The after previous year's affair for Canada.

A I love Canada. They were one of the first to realize me. I've been doing *Max* since for three years, they put me on TV before anybody put me on TV. I remember those who were supportive from the beginning.

Q For one of your favorite targets is our own Avril Lavigne. Why?

A My issue with her is that she's a brat. She's in her twenties now, she should be a young woman, not a brat. I like to tell people out on there and I and when she behaves like a brat I'm going to say, "Hey, you're behaving like a brat." It bothers me that celebrities are held accountable for their actions. I really started to hear on her when she started spitting on the paparazzi. I'm not saying you can be rude to them. But not at these? That's just disgusting, rude, disrespectful. I just had a run in with her after Christmas and she was hysterical. But she was very nice, that party because she was afraid of me. I don't need if people are afraid of me, I actually like it.

Q You also took a big risk to talk for the announcing herself from her Latin heritage.

A Yes, I took a risk to make sure that she's now trying to be a singer. Signed for her.

Q What story of person are you covering most excitedly currently?

A Right now it's Robert Pattinson from the *Twilight* and everything associated with the novel because people can't get enough. Any actor I write about here or in my music it usually becomes one of most created or commented upon stories. I definitely like to give people what they want and to feed their hunger.

Q What's driving the *Twilight* mania?

A It's not the key demographic, but I think it's just associated with women, specifically young women, and that's a definitely a large part of my audience.

Q Are you afraid of your book you make a lot of people in check celebrity predators. Do you have any fear for Paris Hilton?

A In 2006, I was going to a playground with my kids. I was going to have children to make myself more famous. I definitely want to have a lot of children. I've come to realize that I don't just want to work. That's what my life right now is—work, work, work. And I love it and I'm happy but there seems a point when you want to do more. I want to have five kids.

Q You and Angelina.

A Angelina has to be the one to watch for me, especially if I'm doing it on my own.

Q Photos of mothers and children are frequently featured on your site. What's behind the fascination with maternity?

A People love maternity and pregnancy and babies because it's not always and it gives everyone what I do. It's not all bratty, bratty,



'I don't mind if people are afraid of me. I like to be biting but I don't want to draw blood. There's a difference.'

bratty, mean, mean, mean. There are the positive sides as people I like and there are those uplifting non-sensory ones. Like Jennifer Garner just gave birth. But some people use pregnancy and their kids to get ahead. As I say in the book "Sell your first-born." Even Angelina Jolie does that.

Q They say how much like Kate Winslet who appears in her comedy movie *He's Just Not That Into You* as a photo op guy.

A I don't mind if the child is happy and when I just wish they'd put a coat on that kid. ■

PHOTOGRAPHY: BOBACCI.COM

MITCHEL RAPHAEL ON WHO MIGHT BUY MAY'S HOUSE AND THE MINISTER WHO LIKES KNIGHTS

TORRES TALKING!

At the end of the Times' first cruise was something after the holiday break, history was made. After any party has a cruise meeting on the MHI, a special newspaper is not so special members can talk to the media. The Times almost covered anyone to the mile. One veteran conservative told Capital Diary that under Stephen Harper's power he has seen only two and a half days of the mile, not. This time, several MPs took to the microphone, including Foreign Affairs Minister Lawrence Cannon (on crutches), the other-turned cruise chair Guy LaLozon, and Natural Resources Minister Lisa Raitt. Later, Raitt told Capital Diary that during the holidays she took her kids to Medieval Times in Toronto, where laughs just go on and on and a traditional 17th-century feast served. "I love eating with my hands," said Raitt.

DON'T I KNOW HER?

"I was a highly happy person to see my caucus literally double in size," says Tory Senate leader Marjory LeBreton. Before the PM appointed 18 more Conservative senators, the Conservatives had only 20 Senate seats. Because the Senate needs 15 senators to elect members to get business done, the Conservatives knew they would pressure to keep almost all of their own members there. But will there be enough office space for all the new senators? Not a problem, says LeBreton. The space has been sitting there, waiting for the appointments, and it's not even dusty. The formerly vacant offices "have been maintained by the Senate secretariat and some people," says LeBreton. Many new Conservative senators showed up on the MHI for the first cruise meeting of the year. No one had been heard their



TALKING TORRES (top, left to right) Guy LaLozon, Lawrence Cannon, Lisa Raitt, Senate vice leader Pamela Wallin (left), Camille Labrech (middle right), Elizabeth May (lower right), (left) Marjory LeBreton (right), May's daughter, Victoria Cox (right)

special senator pike. Not could they get into their new offices. "We don't have keys yet," said new senator Pamela Wallin. As Wallin entered the caucus meeting, a security guard, feeling that Wallin was somehow familiar, asked, "Who was that?" "I told it was the famous former TV broadcaster, the guard said, 'Of course, but I thought she'd be older.'"

BLACKBERRY RULES FOR MAY'S DAUGHTER

Green leader Elizabeth May held her last Ottawa Epiphany party on Jan. 6. She was in her home in the capital and may of really have a boy—her daughter, who is named in pregnancy. "I am sure she makes more money than I do," quipped May. The Green leader will be living

in her house in New Glasgow, N.S. (where she ran against and was crushed by Defense Minister Peter MacKay), and will come to Ottawa on an as-needed basis. For Christmas May bought her daughter Victoria Cox a blackberry and a BlackBerry, with a condition attached. May doesn't use her BlackBerry as a phone and her daughter isn't allowed to either. Victoria Cox is hoping to attend University of King's College in Halifax in September to be close to New Glasgow.

A GREEN SINKS FLEET

Elizabeth May's former wife Camille Labrech, 34, was named off Canada's Next Great Prime Minister's 2009 contest by the show's producers, CBC. She was disqualified because she ran as a candidate in the 1996 election in New Brunswick, which breaks the rules. She says she was originally invited to participate by organizers who assured her that her 1996 run would be held against her. She's now facing her plans to fight the ruling, saying that loss of contestants have not met all the rules—such as not adding to the allowed time with their video. Labrech knows her political handle she is surrounded by seasoned political people. Her mother, Norma Labrech, is leader and founder of the Green Party of P.E.I. Her boyfriend, Mark Green, is active in the NDP. Both he and Labrech are originally from P.E.I., where Green's father, Gerald Green, is the Liberal attorney general and education minister. Camille has also lost Green party lawyer Peter Bessent, who helped get May into the leaders' debate. ■

ON THE WEB: For more Ottawa and news on the contest Mitchell Raphael is at mitch@canada.ca or torontophosphor.com



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CAN WE REALLY SPEND OUR WAY OUT OF THIS MESS?

The remarkable re-embrace of deficit spending is every bit as mindless as the financial panic that preceded it



ANDREW COYNE

How, in particular, to replace the remarkable re-embrace of deficit spending ("fiscal stimulus," in the phrase of the economist)

across much of the developed world—not only by the political class, but even at the level of the academic professor? Here, when so little fresh evidence has been offered as to its effectiveness, and so much of the original critique that first discredited it remains intact? And here, in Canada, of all places, which suffered more than most from a previous government's experimentation with deficit finance, and where the case for doing something would seem less pressing than elsewhere?

Yet here we are, with a Conservative gov-

ernment preparing to run a scrupulous "stimulus" deficit the likes of which we haven't seen since the early 1990s—so high as 144 billion, according to one report—urged on by the Canadian Council of Chief Executives, the Conference Board of Canada, and the editorial board of the *Globe and Mail*. Doomed, at least in public, to remain confined to free-market think tanks, the Canadian Taxpayers Federation, and the odd outside columnist.

It isn't as if any free-market adherents there are great enthusiasts for this case. It seems more imagination, we might as well say this

Or rather, people expect us to try this. Or perhaps, we will be persuaded if we don't try this. For so the left of the Conservatives are other parties, all of whom may be relied upon to criticize the government for not going far enough.

What we are witnessing is a kind of policy panic, a headlike rush every bit as irrational as the financial panic that preceded it. If we have not gone as far as the Americans—at 2.5 per cent of GDP, over a \$400-billion deficit would be dwarfed by the 12-trillion, 10-per-cent-of-GDP monster the incoming Obama administration purports—we have done so with even less justification. There, at least, the economic situation is such as to justify a little panic: the worst recession in at least 25 years, and going by 70. Here, we have as yet even not the technical definition of a recession.

And so, despite the will, though how deep and how long it will be a anybody's guess, the worst case scenario currently forecast speaks of a recession of some eight per cent, which would have been cause for celebration not so long ago. But the momentary "fiscal stimulus" is now isolation in a new problem, we at least the writing solution to the wrong problem.

Most economists, indeed virtually all of those in living memory, say policy induced. If not quite deliberate, they just say that the consequence of a tightening of monetary policy, generally in response to an earlier, too-loose policy.

This isn't difficult. This isn't a policy recession. It isn't called a "balance sheet" recession, driven first by the credit crisis—the collapse of financial markets, and the associated unwillingness of financial institutions to lend, either to the public or each other—and then by the efforts of businesses and households to retrench in its wake. Such a thing less than a decade ago, every body hands cash.

While the credit crisis has been most acute in the United States, its effects will necessarily be felt in Canada with roughly 40 per cent of our economy devoted to exports, and 75 per cent of that in need in the U.S., a one per cent decline in spending south of the border will tend to reduce the demand for Canadian products by about three tenths of one per cent.

So to get a really severe, U.S.-style recession in Canada you'd have to have a really severe, U.S.-style credit crisis here. So far we haven't seen that. And if we did, deficit spending would no more recommend itself as the solution here than in the U.S.

What is required, rather, are measures to address the problem at its source: the disease, not just the symptoms. The first priority for

policy makers, here as in the U.S., should be to fix the credit crisis, the second, to ensure that it does not recur. And, while there is reason for some shoring up of aggregate demand while the patient recuperates, it is far from clear that fiscal policy is the right instrument for this.

How to get out of this mess? Best to ask how we got into it. The collapse of financial markets last fall fed a list of constant analyses of the "capitalism as dead" variety. The focus was almost blotted on greed, the inherent unsustainability of financial markets or the idiocy of investment bankers. The case, it was said, was the better part of years of free-market dogmatism, of "a frenzy of deregulation" that had allowed markets to run amok. The conclusion followed: if another Great Depression beckoned, Depression-era remedies were called for—loads of new regulation, and masses of public spending.

No one there to defend the actions of those who issued mortgages to people who couldn't afford them, or who repackaged and sold these loans without regard to the likelihood

WITH THE BOOMERS RETIRING AND NEEDING HEALTH CARE, WE CAN'T AFFORD FISCAL STIMULUS



of their repayment, or who bought these complex financial instruments and their derivatives without understanding what was in them, or who loaded up with too much debt themselves. But any attempt to pin the blame on "the free market" has no traction with the pervasive influence of the state at every step of the process. In brief, the government's fingerprints are all over this thing.

Start first with the housing bubble, the doubling of U.S. housing prices in the space of a decade, whose subsequent collapse set

off the crisis. And who inflated the bubble? The state, sure, by a failure to regulate, but more or less in deliberate act of regulation. This is a case in at least three ways. First, there was the overly loose monetary policy pursued by the Federal Reserve in the wake of the 2001 recession. From 2001 through 2006, the Fed kept interest rates significantly below the rate consistent with non-inflationary growth, as indicated by the famous Taylor Rule, devised by Stanford University economist John Taylor. The result: rising inflation, and runaway housing prices.

Second, there were the various regulatory failures, under both Democratic and Republican administrations, aimed at pressuring banks and other financial institutions to provide more and easier mortgages, especially for low-income borrowers: the Community Reinvestment Act, in particular, originally intended to combat discrimination against low-income neighbourhoods. Third, the 1999 housing boom, with the 1999 leverage ratio, or less an explicit quota system. As Peter Wallison writes in a study for the American Enterprise Institute, "It was now necessary for banks to show that they had actually made the requisite loans, not just that they were trying to find qualified borrowers." To the end, banks were required to use "responsible" lending practices, i.e., lower their standards.

Finally, Wallison writes, the relaxation of standards inflated the broader market. "Bank regulators, who were in charge of enforcing CRA standards, could hardly disapprove of similar loans made to better qualified borrowers." This was reinforced by the actions of the two governments: sponsored mortgage pools, Fannie Mae and Freddie Mac, whose original mission of promoting middle-class home ownership underwent a similar parallel by stepped intervention. With Congress's blessing, the two went on a mortgage buying spree, eventually accounting for nearly



30 per cent of all U.S. mortgages. The only process that carries a certain percentage of these is for low income housing: 30 per cent at first, rising to 55 per cent by 2007. To make these targets, they were required to take on the riskiest sort of loans, the so-called sub-prime mortgages. The rest is history.

A third broad contributor to the bubble is worth mentioning: the inflow of savings from abroad, mainly China. It isn't that there was a savings "glut," as so many allege; for a sign savings simply made up for the decline in domestic savings. But whereas domestic investors could invest in any asset, China was prohibited by law, at Lawrence H. White of the University of Toronto's Rotman School of Management writes in a recent study, from investing in high U.S. dollar reserves in real assets or buying U.S. companies. Instead, it was obliged to invest in "U.S. government and agency debt, mainly the mortgage debt issued by Fannie and Freddie."

Of course, the housing bubble is only one side of the story. The other was what was done with those mortgages after they were issued, so they were combined and recombined into packages of assets of differing complexity. That many financial firms assisted made no difference at these transactions, without fully understanding what was in there, is well known. The interesting question is why they employed a fairly risk management system that did not properly account for the possibility of a price in a difficult, general-valuation meltdown. Why was that? "Cost persistence schemes emphasized short-term returns to the exclusion of any concern with the long-term health of the company. Again, why? Why should so many financial institutions have seemed so heavily bent on self-destruction?"

Could at least part of this self-destruction be explained by the fact that, at repeated intervals in the past, they had been spared the worst? The present crisis, after all, was preceded by the long-term capital management crisis of the late 1990s, and before that the savings and loan crisis of the early 1980s, both of which ended in bailouts. As the economist Tyler Cowen of George Mason University has written, "American firms to be sure have been through financial catastrophes would be made good by the Fed—so long as the collapse of these institutions would threaten the global credit system. Reduced by this sense of security, had loans paid off?"

That's not to say that some sort of regulatory reform will not be part of the solution. The days in which large investment banks



A SUSTAINED SPIKE IN INTEREST RATES COULD TURN A DEFICIT OF \$40 BILLION INTO \$100 BILLION

could take on unlimited amounts of leverage are clearly over (as, indeed, are most of the investment banks themselves). But if there were greater regulatory firepower, it is also clear that a certain amount of risk regulation was at work. The securities market, for example, was in part an attempt by U.S. banks to break out of the financial isolation they suffered because of their geographic isolation, a legacy of Depression-era prohibitions on interstate banking. Internationally agreed banking standards, known as the Basel accords, are supposed to encourage all banks to lend a good deal less, so that it had time, since the value of the capital that banks are required to set against loans will rise and fall with the business cycle.

But don't let us suffer the day. The immediate prohibition on financing up of credit, particularly in the interbank markets—the loans between financial institutions—on which all other lending depends. So long as there remains an unquestioned necessity of lending, holden inside complex debt markets and buried deep in balance sheets, a degree of generalized restraint will prevail—a phenomenon Taylor calls the "Queen of

Spades problem." As in the game of cards, where every player is to avoid taking the one left holding the Queen of Spades, so every bank wishes to avoid getting stuck with the "toxic" assets. In short, thanks were too bitter about risk in the past, they are now officially much wiser today.

Governments go as far as this, and governments will have to go as far as this. But how? As much as you may have heard it repeated, our attention is indeed different from that of the U.S. We did not undergo anything like the same housing boom that the Americans did, nor has our bank been anywhere near as deep. Subprime mortgages, while not unknown here, did not take a remotely comparable share of the market. Our banks are relatively well-capitalized and broadly diversified. The credit crisis is not nearly as severe here as there, nor has our economy so far taken the same ravages.

So it is hard to see the emergency that defines a sudden burst from \$40 billion dollars, for starters. And in that the practical problem is all very well to spend money on infrastructure, indeed, there's an argument for bringing forward projects that were already on the works, as a provision, with all that capital labour at hand, there are likely to be cheaper. But it is as simple as this: there all that much in the pipeline, waiting and ready to get it, nor soon, reluctantly,

can now project get under way from a standstill again? How likely are these to pass here as a benefit to us, if they are dreamed up on the flip side? Is there all that much capital labour hanging about? As things are, Canada is still experiencing labour shortages, especially for skilled workers.

The more fundamental question is that fiscal stimulus does not stimulate much of anything. Journalists talk about government spending being "injected" into the economy, apparently oblivious to the fact that the money has to come from somewhere. Either it is borrowed, or it is raised in either case, whatever initial stimulative impact there might be (see construction delays above) is very quickly unwound.

Standard Keynesian models showing large "multiplier" effects from deficit spending typically assume economies are closed to trade (the much of the spending "leaks" out to imports), and expectations of the future are blind, i.e., consumers and investors do not worry about the long-term consequences for debt, taxes and ultimately for inflation of running large deficits. They tend also to minimize the expense of governments borrowing

money "dash for growth." It is hardly like money that you, before it was forced into a hard-asset, U.S. dollar. And before that there was the 1914 Labour Party conference in 1909, a radical prime minister James Callaghan could say: "We need to think that you could spend your way out of a recession and boost employment by cutting taxes and boosting government spending. I tell you in all our dear that that's not money for nothing." Don't anyone remember?

As for the Great Depression itself, perhaps I should quote Barack Obama's new chief economic adviser Christina Romer, who it turns out is something of an authority on the subject. In a 1990 paper for the National Bureau of Economic Research ("What Ended the Great Depression?"), she attributes the economic recovery to an expansion of the money supply (something to do with his own inflation of gold). "Fiscal policy," she writes, "contributed almost nothing to the recovery before 1934."

One last point about fiscal stimulus: we can't afford it. No, a deficit of 2.5 per cent of GDP, even a string of them, is not going to bankrupt us or ruin us. Between the current deficits, and the longer term deficits that the C.D. Bank has been told to raise, and the additional savings, our generally so-called experience with inflation suggests that the public can have confidence that, even when the bank will see that this goes on, it will not drop.

But this approach comes with its own risk with all this liquidity sloshing around, there is potential for a serious outbreak of inflation, once the credit bubble bursts. Central banks will have to be as quick to withdraw liquidity from the economy as they were to provide it. That has not always proved to be the case in the past.

The combination of massive monetary easing and large deficits is particularly worrying. At it would take us to turn a massive \$40 billion deficit into one of around \$100 billion deficit would be a sustained spike in interest rates. Then the magic of suspended central bank rules, and it's the 1980s all over again.

But how? We all know the budget is going to be about stimulus. You know it, I know it, and God knows the internal going to be "stimulus." It has become the catch-all for all sorts of special pleading and magical schemes looking for a bailout. Very well, we can get it that goes. There's much the government could be doing that would be beneficial to the economy in the long run, even if it had to be done with the present crisis on its case, with no tax administration, a rational economy regulator, health care reform, the works. Could we all just agree to call this "stimulus"? ■



LOONIES featured in the U.S. party, a poster at the Detroit auto show in January

"crowding out" private borrowers. But these highly restrictive measures, and in effect the case for deficit spending disappears.

Indeed, later Japanese governments are usually cited as examples of it actually working as advertised. Take Japan in the 1990s, the not best business case for recovery. The Japanese government ran huge budget deficits, poured money into infrastructure projects, year after year after Japan's debt to GDP ratio soared from 140 per cent in 1991 to more than 200 per cent in 2005. The economy ground on regardless.

Before then there was the French experiment of the 1940s—François Mitterrand's

But so far as broader macroeconomic support is required, the monetary and sufficient mechanism in the Bank of Canada. Under what the does and does not mean. Much of our autonomy on the economy seems to assume that, in the wake of the biggest financial loss in history, we are not to find any way. Policy makers are urged to resist housing prices, boost consumer spending, force banks to lend, and so on. But the sense was to report the whole sorry history of the last decade. This cannot be. As even an amount of "taking our medicine" is inevitable, banks need to repair their bad weather, consumers need to move on, and,

\$1,000,000,000,000

SPEEDING TOWARD THE ABYSS

The U.S. is on pace to take on \$10 trillion in debt over the next decade. What happens when America's credit runs dry?

BY JACOB KIRBY When midlevel tech-date and short on cash, the best way to cope with your creditors is to keep your cool and convince them you're not a deadbeat. President-elect Barack Obama, as the verge of inheriting the world's biggest IOU, clearly realizes it's the best goes about it with more poise than that most.

Last Thursday, at Obama's urging, outgoing President George W. Bush issued the three living ex-presidents, Bill Clinton, George H. W. Bush and Jimmy Carter, to the most exclusive "you and great" on the planet. The century race gathering was billed as a way to remind Americans that their troubled country has weathered storms before, and is in good hands now. But the meeting also aimed to calm frayed nerves among foreign bondholders and other international investors who now hold more than half of America's debt. After all, they're just money and another rainy remainder of the country's desperate hunger for cash.

In its new economic outlook, released last week, the Congressional Budget Office forecasts the U.S. will spend at least \$100 billion more than it takes in, over the size of last year's deficit and the biggest shortfall since the Second World War. Yet that number doesn't even include the cost of Obama's \$1.3 trillion stimulus plan. To put all this in perspective, America must borrow an amount equal to the entire economic output of the Canadian economy just to maintain its current lifestyle. Having already piled on \$1.6 trillion in debt, double the size it was eight years ago, the country is facing another decade of massive budget deficits unless dramatic changes are made.

But if only—if only nothing America's skyrocketing deficits would be enough to pull the country out of the gaping hole it finds itself in. To many observers, it has become increasingly clear that the U.S. is slowly, but steadily, going broke. It's a crisis in slow motion that's been gathering force in successive generations have created up their expectations of what their country can do for them. Now the onslaught of rising baby boomers has begun, and their mounting social security checks and hospital bills are going to leave a gaping \$150-billion hole in public finances. This is America's demographic time bomb, and experts say it's only a matter of time before it goes off. "It might not be today, or tomorrow, but it will happen because it's happened every time a country grows beyond its ability to pay," says Laurence Kotlikoff, a professor of economics at Boston University and an outspoken critic of America's fiscal policy. "It's shouldn't shock us to imagine" for Canada, which is inextricably linked to the U.S. economy, there will be little shelter from the blast.

As a time when state economies are struggling, it could be raining huge budget surpluses

to defuse on long-term fiscal problems, the country is instead piling on even more gas powder. Watching all this from the side lines are those foreign investors already chomping deep in U.S. debt: the central banks in China, Japan, Russia, and oil-producing nations like Saudi Arabia and Venezuela—the very nations the U.S. is warning to shut down to finance its deficits. Should those countries get spooked by America's spending binge, say move to scale back their lending would plunge the U.S. into an even deeper financial crisis than the one it's already struggling through. In that case, it will take a lot more than a photo op of ex-presidents in the American Oval to calm them. And there are signs that reckoning has already begun.

Over the last 20 years the National Debt Clock has steadily ticked away in New York's Times Square, keeping a tally of the federal government's indebtedness. Then, in mid-1990s, when the country's total debt load reached over \$1.8 trillion for the first time ever and the digital clock's face simply ran out of space. Not to worry. The Duns Corporation, which maintains the clock, has plans to erect a new one this year that can display up to 6.1 quadrillion, leaving plenty of room for America's loans on spin already out of control.

More people have a hard time wrapping their minds around anything on the scale of a trillion, let alone a quadrillion in plain terms: a trillion is a million millions, or maybe a billion, that doesn't help much. But this might—according to Kevin Hassett, director of free-market policy studies at the American Enterprise Institute, the \$1.8 trillion deficit would have paid for the entire world's combined military spending in 2006.

The problem is, the picture painted by the

CBO's forecast is downright scary compared to what economists say is really going on. Not only is Obama's stimulus package missing from the equation, but so too are such measures as the annual Iraq and Afghanistan aid and the impact of Bush's tax cuts if they're made permanent. For all that, in, according to the Concord Coalition, a non-partisan think tank in Washington, a more realistic \$1.6 trillion budget shortfall between 2010 and 2019. "I had a kind of sense that the cause of the bubble that burst was people talking on all these expanding debt obligations without a proper assessment of the risk, and now the case is for the government to do the exact same thing," says Robert Birney, executive director of the Concord Coalition. Like homeowners who landed up on too good to be true low interest loans only to hit a wall when rates rose, the U.S. is plowing millions in deficit spending at a time when interest rates are hovering just above zero. "It's like we're getting a teaser rate for our national debt, and when that adjustable rate kicks in, it could get very expensive," says Birney. "But there's no one who's going to step up and bail out the U.S."

In all, it's well enough when Bush came to power in January 2001. A booming economy and stock market in the late 1990s had provided the U.S. with a string of surpluses, and his good times were coming to an end. But for years, the debt clock had been silent, followed by the 11 terrorist attacks, and any thought of retreating in the Bush years was shelved. In a bid to balance the country's books, Bush launched a massive campaign of tax cuts. According to research by the Center on Budget and Policy Priorities, legislation cut in place between 2001 and 2007 added \$1.6 trillion to America's debt, with nearly half of the shortfall due to tax cuts. At the same time, the Bush administration raised

out to be one of the most profligate in history—according to House, federal spending has almost doubled over the last nine years, to a projected \$1.5 trillion this year.

By the time the financial crisis truly took hold last fall, the damage to America's trust in its government was already done. The U.S. stimulus, now in its 13th month, will top Washington's tax revenues by \$181.6 billion this year, says the CBO. Meanwhile, spending will jump nearly 17 per cent from last year, driven up 300 million per by the massive billions of more goes places: Social Security, Medicare and Medicaid.

BUSH'S tax cuts and new spending pushed the debt clock past its \$10-trillion limit



Wild overspending created this crisis, now government is doubling down



the Treasury Department's USATron billion Troubled Asset Relief Program (TARP). "Over the last decade, we've had high deficits and it didn't seem to affect the short-term economy, so politicians went along with the spending," says Chris Edwards, a tax policy expert with the Cato Institute in Washington. "I just don't see the political will to do anything about that out of control spending."

Kathleen Curry Blachlock was home manager after midnight on Jan. 1, 1946. And on an October morning in 2007, she became the first American baby boomer to qualify for social Security. She does, and only 77-year-olds to go.

Many countries around the world are on the cusp of a major success, but none have promised so much to retirees, yet saved so little for the retirement state, as the U.S. has. According to Washington's own U.S. Government Accountability Office, the unfunded liabilities of Social Security, Medicare and Medicaid, the cornerstones of the country's social safety net, now stand at \$1.8 trillion. The sheer scale of the problem has become known up with this simple bit of math, laid out by Kotlikoff in a recent Forbes magazine article: 75 million boomers will each receive an average of \$14,000 through Social Security and Medicaid during each of their golden years. Their \$144 billion a year, nearly 60 per cent more than what Washington expects to generate in net revenue this year.

With this glaring hole forming in America's finances, the realization is slowly dawning on legislators that it will be all but impossible for the U.S. to borrow enough to meet the demands of retirees. But the consequences for almost every part of American lives will only become clear in time. In its September fiscal outlook update, the CBO warned that within a decade, 76 cents of every dollar Wash-

0,000,000,000

ington brings in as revenue will immediately go back out to ridians, their health care providers, health care for the poor and to America's bond holders, leaving scarce resources to be divided between all other programs such as national defense, infrastructure, education or the environment.

So Kotlikoff, there's no burden being left for young and future Americans is nothing short of "fiscal child abuse." "We've been running these Ponzi schemes at the federal level that dwarf what Madoff was doing," he says, referring to the US\$50 billion hedge fund scandal. As with Madoff's fraud, it's problems with America's fiscal pig are lurking in the open for those who can't read them, but most with the power to do something have opted not to look.

On Jan. 8, Obama delivered a televised speech making the case for his economic rescue plan. He described the current state of the economy as "a crisis unlike any we have seen in our lifetime" and gave a clear warning about where the U.S. economy is heading without government intervention. "If nothing is done, this recession could linger for years. The unemployment rate could reach double digits. Our economy could fall in line with other nations, with a loss of potential and promise, as more young Americans are forced to forgo dreams of college or the chance to run for the jobs of the future. And our nation could lose the competitive edge that has served as a foundation for our strength and standing in the world."

This message was a clear demand that it was on the campaign trail, but he'd already unveiled his economic program: a proposed \$775 billion economic package that includes a mix of tax cuts and spending proposals, as well as grants to state governments. The plan, he

says, will create at least three million jobs by the end of 2010, thanks to a major program of investments in infrastructure, education, health and energy. His goals include doubling the production of alternative energy in the next three years and restoring federal buildings and private homes for energy efficiency. The plan would pay for computerizing all American medical records within five years, and modernizing schools, colleges and universities with the latest technology. There would be money for upgrading roads and bridges and the electrical grid, as well as expanding broadband Internet access rural America, plus new money for scientific research. He's also proposing a series of tax cuts—including a \$1,000 credit for businesses that create jobs, and payroll tax cuts of about \$1,000 per employed family.

What worries Kotlikoff like Kotlikoff is that the advice Obama has surrounded himself with won't have the courage to make the tough decisions to America's benefit. "We have people who are very political in this group of economists but aren't around from," he says. "Their first instinct is politics, not economics, so you're not likely to see them do what's really needed."

If there was any good news for those fretting about America's looming fiscal crisis, it's that Obama came at least armed at a "discrete, well-articulated" as a "second part" of his plan to cut costs. Even still, it's worth the case that Obama isn't exporting much "Obama campaign" as not cutting Social Security and Medicare, and cutting McCain for suggesting that should happen," says Edwards. "Policy-makers are dividing their time and it's more important to keep their people's standard of living in the future."

But Americans can only go so far in shopping sprees of foreign investors are willing to

pick up that tab, something they've been more than eager to do up until now. Over the last few years, central banks around the world have swapped up trillions of dollars worth of U.S. debt. In September, China passed Japan to become America's largest creditor. But Japan has already lent more than US\$1 trillion to the U.S., financing to just over 20 percent of Washington's total debt and allowing it to get out of such difficult and unpopular decisions such as cutting spending and raising taxes. And since foreigners have clamored to lend the U.S. money, that's kept interest rates at historic

OBAMA WOULD TO SPEND ON GREEN ENERGY AND INFRASTRUCTURE, BUT WILL CHINA LEND?



Mortgaging the future amounts to 'fiscal child abuse' Kotlikoff says



PHOTO COURTESY OF AMERICA'S INFRASTRUCTURE CLIMATE COALITION/ISTOCK

low. With all that cheap money floating around, Americans went on a buying binge during the boom years, with much of the account and merchandise coming with a "Made in China" sticker. Last year the U.S. imported five times as much from China as it exported there.

As helpful as that has been for China's emerging economy, it's a sore for China in heavily exposed to the ongoing fiscal and economic crisis in America, as a new wave of Beijing from ensuring pressure to deal with its own slowing economy. Last month, in an interview with *The Atlantic*, Guo Xing, who manages US\$200 billion of China's US\$1 trillion in U.S. dollar holdings, and that's growing, insisted to save investment in the U.S. "People here hate it. They come out and say, 'Why the hell are you trying to save those people?' because the representatives of the poor people saving goodwill, and you're saving people eating slack fish."

There are already signs foreigners are scaling back. Fitch Ratings, the credit rating agency, believes China's foreign reserves will grow by about US\$107 billion this year, down from 64 percent from what it accounted last year.

That has some observers warning to talk about the unthinkable. Could the U.S. actually default on its debt? Even with America's economic down, cracks are starting to appear. According to Republic Investment Group in New York, as of Monday the cost to renege against a U.S. debt default is the domestic market at nearly 55 percent from a month ago, meaning investors are at increased risk. America could renege on its loan obligations to France, Germany and Japan are all perceived as safer bets.

If the U.S. doesn't present a plan soon to tackle its addiction to debt, economists warn foreign investors will simply walk away. Amer-

ica's move would drive down the greenback and force the Federal Reserve to sharply boost interest rates in order to attract new lenders and to rein in soaring inflation. An already struggling economy would hit the wall.

This all spells serious trouble for Canada. More than three-quarters of Canada's exports flow to the U.S., while trade with America accounts for roughly 25 percent of this country's GDP, says Dan Drummond, chief economist at TD Bank. "If this economy were to tank, no doubt our world as well." At the same time Canada's interest rates are likely to rise in tandem with those in the U.S. That's because, rightly or wrongly, foreign investors tend to view Canada and the U.S. as a North American bloc. "However bleak you want about America's long term fiscal situation before, you've just got to be a lot more pessimistic now because they're just now going to say problems on the fiscal side," says Drummond. "At some point the central banks around the world, particularly the Japanese and Chinese, will say that U.S. dollars are the simplest means they could ever accept and we're going to dump them all."

When makes the U.S. fiscal crisis so painful to so many Canadians is that this country made the tough choice to get its deficits under control in the mid-1980s. In 1994 the ratio of Canada's debt to GDP stood at 63.3 percent, while the Russian is for America's market at nearly 55 percent from a month ago, meaning investors are at increased risk. America could renege on its loan obligations to France, Germany and Japan are all perceived as safer bets. If the U.S. doesn't present a plan soon to tackle its addiction to debt, economists warn foreign investors will simply walk away. Amer-

ica's move would drive down the greenback and force the Federal Reserve to sharply boost interest rates in order to attract new lenders and to rein in soaring inflation. An already struggling economy would hit the wall.

Per former prime minister Paul Martin, who as finance minister was credited with slaying Canada's deficit dragon, everything will come down to how Obama structures his administration, and, more importantly, whether it ultimately works. But he notes that while Obama's plan includes billions in proposed tax cuts, Canada didn't see taxes until after the deficit war was won. "I know Larry Summers [Obama's top economic adviser] and [economic treasury secretary] Tim Geithner and I know what they're facing," he says. "Canada's been there, done that."

So far, the U.S. has managed to defy expectations. With the global economy slowing, and most assets appearing risky, investors have continued to snap up U.S. Treasuries over the last year. Foreign central bankers may want to diversify away from the U.S., but they're clearly having trouble finding a more stable option. "It's a bit of a paradox that when the global economy goes into deflation because of what the U.S. has done, they're off-swing as the safe haven," says Martin. "But that argument will get harder to make as time goes on."

For now, much rests on Obama's shoulders, and on the sense of optimism and goodwill he brings with him. But while many Americans may hope to forget just how deeply they're in lock to the world, you can't blame its lenders' hawks. As Ben Franklin himself observed about borrowed money 150 years ago, "Creditors have better memories than children." It doesn't matter who plans on the debt for America, if foreign lenders lean in on the U.S., the country's borrowing deluge will crash down like a house of cards, leaving Canada, and many others, with it. ■

With Laura C. Savage

CAN OBAMA WIN THE MIDDLE EAST?

Expectations for the new president were high, but the reservoir of goodwill in the Arab world is being drained
BY JONATHAN GATEHOUSE

Three years were easy. Al Clinton, an Arab daily in Tunis, dubbed the newly elected Barack Obama "the President of the World." The Jordan Times called him "the American leader we need." And Olam, a pro-government paper in Saudi Arabia, found reason to praise not just the man, but the republic for which he stands. "For the 100th time, America disappointed its critics and meted those who expressed doubts about the truth of its democracy," read the editorial. "For the 100th time, America proved, by action and not merely words, that it is the country of equal opportunity, social justice, real freedom, and creative democracy."

Obama's campaign message of change resonated far beyond the confines of America's borders. And the millions of Arabs who gazed around television sets in the early hours of Nov. 3 found a good reason to rejoice: their long-suffering quest. All those watching tonight from beyond our shores, from parliaments and palaces, to those who are hard of heart and sound reason in the foreign corners of our world: our theories are tangled, but our destiny is shared. A new dawn of the Zionist leadership is at hand," pronounced the pro-ident elect. But the sky-high expectations

that a new man in the White House might help bring an end to the Middle East's decades-old conflict are quickly fading, as fighting between Israel and Hamas in the Gaza strip looks to stretch into its fourth week. "Obama's election was greeted a little like the Second Coming," says Manu Mattoo, director of the Middle East program for the Carnegie Endowment for International Peace, a Washington-based think tank. "But in the Arab world the skepticism is already sinking in. The belief is that if there is a change coming, it won't be that large."

What makes good strategy at home—may not do of the trip, and concentrating on the economic crisis in advance of his Jan. 20 inauguration—is rapidly draining Obama's reservoir of goodwill in the Middle East. Few in the region expect new American administration to truly alter Washington's attitude, support of Israel, but some of Obama's key appointments have raised eyebrows (not to mention the Arab world's never far from the surface anti-Semitism). It has not escaped notice that Obama's hard-driving chief of staff Rahm Emanuel's Jerusalem-born father was a member of the Zionist militant group Irgun, and that Rahm held dual citizenship between 18. And even the appoint-

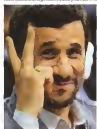


OBAMA visiting Israel last year (top left), Ahmadinejad in Palestinian protest

ment of David Kohn, a veteran Maltese peace negotiator for both Bill Clinton and the first president Bush, as Obama's point man on Iran has drawn fire. "The Arabs believe these people are parties," says Olam. A complicating factor is the absence of concrete indications of just how Obama intends to carry out his promised transformation of U.S. foreign policy. On the campaign trail he vowed to seek peace between the Israeli and Palestinian "Yon the manner

I've seen in our office." And in her confirmation hearings this week, incoming secretary of state Hillary Rodham Clinton called for a "strategy of smart power in the Middle East." But his advances have made it sound more like a message board than a lecture, leaving a desire to take a broader, more global approach to a laundry list of Middle East problems—the war in Afghanistan, a fragile region in Iraq, a surge in Islamic radicalism, and oppressive governments.

"If the Obama administration could show that there are real profits for moderate, reasonable, pragmatic, and political and



economic reform, it would inspire considerable U.S. influence throughout the region," Richard Haass, a diplomat under both presidents Bush, and Obama's rumored pick for special Middle East envoy, writes in the current issue of the journal Foreign Affairs. In contrast to '08's election-focused "Freedom agenda" (which helped Hamas the legs in Gaza when it won a first-run vote in 2006), Haass and his co-author

Miriam Trody, a former U.S. ambassador to Iraq, argue for "more sustainable balance between U.S. interests and U.S. values." The right answer for the Middle East's problems is not shock diplomacy, they say, but an "evolutionary process of liberalization," focusing on power-changers like Palestinian president Mahmoud Abbas, freedom of the press and governmental transparency. Above all, they conclude, "the United States needs to focus on supporting efforts to provide a vast and growing young generation in the region with hope for the future and a reason to enter the dark abyss

permeated by religious extremism."

To many minds, the most likely departure point for a new U.S. policy in the Middle East will be a rather stale idea—forging a separate peace between the Israelis and the Syrians. For more than a year now, Damascus and Jerusalem have been engaged in talks, and negotiations that would see the Golan Heights returned in exchange for a full and formal peace between the two states. It's not the first time that such a swap has been contemplated—under Syrian President Bashar Assad's father, Hafez, came close to signing off on one in the late 1990s—but a deal is

WASHINGTON'S BIDS TO 'CONTAIN' IRAN HAVE CLEARLY FAILED

repeatedly all but done, requiring only assurances. And now, an agreement to bring Syria in from the cold would come with an added strategic benefit for the U.S.: separating Iran from its only real ally in the region. And while the crisis in Gaza has improved the atmosphere between Israel and its neighbors—106,000 people took to the streets of Damascus in protest last week—Egyptian Morsi, deputy director of Tel Aviv University's Jaffee Center, and a former senior intelligence officer with the Israeli Defense Forces, says it won't necessarily derail this agreement. "Unlike the Egyptians and the Iraqis 10 years ago, the Syrians have never made the link between the Palestinian problem and the internal of the Golan Heights," says Kohn. "The bigger question mark is who is going to be the next prime minister of Israel."

Indeed, the outcome of the scheduled Feb. 10 Israeli elections may be the single biggest factor in whether Obama will be able to succeed where so many of his predecessors have failed. Before the Gaza offensive was launched, a solid win for the right wing and the installation of Likud's Benjamin Netanyahu as the new PM seemed a foregone conclusion. (When Netanyahu was last in power in the late 1990s, his intelligence-gathering mission was legendary.) Dennis Ross describes him as "anally strict" in his memoir *The Missing Piece*. But the success of the Gaza offensive has bolstered the popularity of Defense Minister Ehud Barak and his Labour party, offering the possibility of a more moderate type of coalition government, even with Netanyahu at the helm.

Obama's vision of peace challenges, however, will be the same as George W. Bush's: Iran. With its influence in Iraq and Afghanistan, support of Gaza's Hamas and Hezbollah in Lebanon, and soon-to-be-fall-2012 nuclear

ambitions, Tehran's Islamic regime has succeeded in playing itself to the center of mass of the region's problems. Efforts by successive American administrations to "contain" the ayatollahs have clearly failed. And, for the first time since the 1979 revolution, it may be time to win the war, a possibility to which Obama remains open. (There are really no other options on the table. According to a recent New York Times report, Bush and the Pentagon reportedly proposed Israeli strike against Iran's nuclear program last fall, against the IDF but the "bunker buster" it needed and permission to swiftly Iraq.)

Zagor, a Iranian analyst and broadcast living in London, England, says the Iranians are an eager for change as anyone. "The Americans have always thought that if you convert them it will give us. And that's just psychologically wrong," says Zagor. "Iran wasn't a colony, but one of the slogans of the revolution was 'independence.' They would like to be taken seriously as a state." With the prospect of a drop in the price of oil, the Islamic regime is under more economic pressure than ever, notes Morsi, and perhaps ready to compromise in exchange for an end to the embargo. And even if negotiations fail, they may be to America's benefit, strengthening the case for more drastic action and building international support.

For a politician who is handicapped with such high expectations and fierce challenges on so many different fronts, it is possible that Obama's rhetoric about a "new" direction in foreign policy will remain just that. Granted, that is the advice he will receive from the bureaucracy in Washington, where the conventional wisdom has long been that a new president shouldn't waste his capital on the Middle East. Elections are upcoming not only in Israel, but also Lebanon, Iran, and Gaza, offering the possibility of more willing partners down the line. (Although the seat money says the votes will make things more complicated, not less.) And with the Palestinians in leadership—the beginnings of a wider peace deal—soon divided and weaker than perhaps ever before, the biggest question for Obama might be "why bother?"

But as with the Gaza crisis, it could be that even in the long run. Or that the new president simply becomes captured by the promise that has enticed so many of his predecessors. "There's a lot of work for a pastor and for people," Morsi Morsi, a New University peace and conflict specialist, says from his Jerusalem home. "If there is goodwill and leadership it can be done in 10 years." But Morsi has a warning for the new American president: "Hush, there is no loss. Nobody loves anybody. It is all a matter of self-interest." ■

WILL YOU BE MY FRIEND?

Who can Canada count on in president Barack Obama's new Washington?

BY LIZETA CHU, SAVAGE • Oh, to be a fly on the wall at the first meeting around Barack Obama's cabinet table. What if you were, the president-elect has assembled a "team of rivals"—starting with arch-enemies Hillary Rodham Clinton for the plan job of secretary of state—but not ending there. On some key issues, his cabinet picks disagree not only with him, but with one another.

On the Middle East, for example, Clinton has a more years taken a staunchly supportive position toward Israel, while his choice for national security adviser, James Jones, a retired marine general, is more wary. Obama's nominee for the secretary of labor, the Los Angeles congressman Elton Sola, is critical of trade agreements, while his new trade representative, former Dallas mayor Rick Warren, is a NAFTA booster who wants normal trade relations with China. His agriculture secretary, Tom Vilsack, is the former governor of Iowa, where corn and ethanol subsidies are a holy grail.

Washington's hard to decipher: even the divergent notes in his cabinet and co-powder broken in Congress.

Trade energy, which is shaping up to be a top priority since Obama promises ahead with plans to control carbon emissions and encourage renewable energy. Canada is the biggest supplier of energy to the U.S. Two-thirds of production from the Alberta oil sands heads for U.S. markets. Any restrictions on what some Democrats have called "dirty oil" would have huge consequences. So would any carbon trading system that would treat domestic American carbon emitters more generously than those outside the country. Canadian hydro and wind power production has much to gain from any policies that would encourage the use of renewable sources of energy—and reach to lose if such policies privilege only those made in the U.S.A.

At the energy table you will have Jones, who views energy security as a paramount issue in national security. Until Obama picked him, Jones was president and chief executive of the U.S. Chamber of Commerce's Institute for 21st Century Energy. He has been to Alberta and views Canadian oil as a strategic North American resource—and appetizer.

Will be a clear since it's a new person, but to very existence suggests Obama is serious about combating climate change, an issue Revere has called "the greatest problem ever faced." As his top economic adviser, Obama named John H. Garvey, a climate scientist from Harvard, and put other climate change advisers in top jobs.

Given the timing, energy, it is unclear how quickly Obama can move on his campaign pledge to set up a cap and trade system for emissions—and how ambitious the annual limits on emissions could afford to be. His top economic adviser, Larry Summers, is skeptical of the cap and trade approach and wary of increasing energy costs in a recession. Spending on green technologies and energy-efficient retrofitting of schools and government buildings is part of Obama's big economic stimulus spending plan that congressional leaders hope to pass. Federal Treasury officials on emissions will take much in gas, give opposition from Republicans and some Democrats. "Economic stimulus has a better hand," says a top Washington energy lawyer, Sheila Stashko. Halls, who has advised several provincial governments on energy issues. "But because

Halls, "You can expect this issue to be kicking around because it affects the oil trade in the U.S. This is a pretty big debate."

A potential congressional ally for the Canadian energy sector is New Mexico Senator Jeff Bingaman, the powerful and knowledgeable chairman of the energy committee and natural resources committee, who will oversee the confirmation of Obama's energy-related appointments. Bingaman disagreed with Waxman on the oil sands. He has also called for strengthening the North American electricity grid to enable a new Canadian energy source. U.S. markets. On Obama's proposed stimulus package, too, he will lead to increases in the shared North American energy grid. Will it increase demand for Canadian energy, oil sands or renewable? Or will it quadruple the source and provide home-made energy? "Take the desirability of green and renewable energy, add an economic crisis and a new administration," says Halls. "Now that is three-dimensional chess."

Obama's diplomatic envoy in Washington, Gary Mox, is a key outreach job also. "We are looking forward to working with the new U.S. administration and demonstrating that we are a responsible partner and



HENRY MOXHAM: The new chairman of the House energy and commerce committee wants to ban oil from the sands



JANET NAPOLITANO: As homeland security czar, she will have a huge impact on Canada; observers say she understands the importance of co-operation



JEFF BINGAMAN: The chairman of the Senate energy committee and natural resources committee wants more Canadian energy for the U.S.

of politics—while Obama's energy secretary, Nobel Prize-winning physicist Steve Chu, an expert in biofuels, is firmly opposed to continued ethanol. Even Obama, who has never held an executive position, will channel the debates into policies will be one of the most fascinating strands of the coming months and years. For starters, he'll be leaving in his new chief of staff, the former Bush dancer, his campaign spokesman and political pit bull, Rahm Emanuel, to get everyone in line.

Obama plans to reauthorize the tradition of making the first grand moral foreign trip in Canada. Everyone expects an enthusiastic reception for the Democrats who enjoy high approval ratings among Canadians—and an urgent agenda of talks about the economy. Obama wants to "upgrade" the labour and environmental provisions of NAFTA. How other Canadian questions will face Obama's

Canada is an ally to place his. After months. He is a proponent of carbon capture technology as a way to reduce greenhouse gas emissions. He views could be ahead by secretary of state Clinton, who has spoken about the need to reduce reliance on Middle East oil.

But there will be a coffee of opposing views. Incoming energy secretary Chu is a professor at the University of California at Berkeley, was the Nobel in 2007 for work on cooling and trapping atoms with lasers, and has devoted his career to finding ways to win the world of carbon fuels. He is the just expressed concern about the use of the oil sands' carbon footprint, which is bigger than that generated by conventional crude production. Thereafter is Obama's new "climate czar," Carol Browner, a former head of the Environmental Protection Agency under the Clinton administration. What her exact role

of the economy they don't necessarily have the upper hand."

Environmentalists do, however, have many supporters in Congress, and adding the new chairman of the House energy and commerce committee, Henry Waxman, whose California district includes Hollywood, is a traditional liberal Democrat who last year led investigations into wrongdoing by the Bush administration. Last spring Waxman tried to have vague language in the 2007 Energy Independence Act scrapped to ban the U.S. government from purchasing oil sands oil. (The corporations are not yet settled.) The oil sands issue is becoming a hot one in the U.S., not only as an environmental issue but because it is into a debate over the potential development of the oil sands resource in the American West. "Preparation of regulations on oil sands development are not going to give up," says

energy products," he told McClatchy.

Energy made, perhaps no other individual in Obama's Washington will be more important to Canada than the incoming secretary of homeland security, current Arizona Gov. Janet Napolitano. The department deals with issues such as the border, passport and identification requirements, port security, intelligence sharing, and law enforcement co-operation. While many border controls—such as a new passport requirement decided by the U.S., or visa rules such as agricultural inspection fees—have their origin act is either law in Congress, or acts within the federal bureaucracy, the DHS secretary has a unique role in the process. The first DHS secretary, former Pennsylvania Governor Tom Ridge, had a good working relationship with Canadian politicians and nations in energy-related with. Relations grew

RAUL PINO/REUTERS/GETTY IMAGES

CHRISTOPHER WOOD/REUTERS

more difficult under Michael Chertoff, a former prosecutor and judge, who brought a law-enforcement view that emphasized security and drug complaints that resonated with voters who were pushed to the back.

Napolitano's background is also in law enforcement. He was served as Arizona's attorney general and later, but in a divided province. As governor, Napolitano once



HILLARY CLINTON: Obama's secretary of state has no doubt she will be the first to reduce spending on Mexico border aid and could be a Canadian ally.

called for the deployment of the Arizona National Guard to help secure the border. But he is also well versed in the importance of trade to jobs in his state, and traveled several times to Canada on trade missions. Secretary Clinton, the executive director of the Canadian American Business Council, based in Napolitano's state of Oregon last October called their "sessions." "The best reaction is to say, 'Here is a southern border governor and a former attorney general — all great, is this another Chertoff repeat?' But I think there is more in the mind of Tim Ridge at issues of understanding the importance of an operation. He is going to look at the border in terms of economic activity — and that border will be Canada."

And given that the first order of business for Obama's White House is to improve border spending bill, it offers a tantalizing possibility for Clinton: potential funds for improving infrastructure along the Canada-U.S. border and the highways and bridges that lead to it. "The larger problems we face on our border today are not so much security impediments but infrastructure impediments," Thomas Shannon, the U.S. state secretary of state for western hemisphere affairs, told Maclean's. "We have infrastructure that will not pass NAFTA requirements. We are pushing into goods and people across the state borders and going right now we are talking about a lot of infrastructure spending. If I were a Canadian or Mexican, I would be raising my head saying this needs to be a bigger discussion."

As for the broader trade relationship, Obama's intentions aren't clear. When California congressman Xavier Becerra was asked the point of Obama's U.S. trade representatives,

he turned it down, saying he thought trade would be low on the to-do list. "There is the conclusion that it would not be priority No. 1, and perhaps not even priority No. 3 or 4," he told the newspaper. The name for the post, Jesse B. Kerk, has been a leader of NAFTA and has been well welcomed by business groups. Jennifer NAFPA leader, New Mexico Gov. Bill Richardson, was once



STEVE CHU: The energy secretary wants to meet the world oil fossil fuels, and has expressed concern about the size of this oil sands' carbon footprint.

to have Mexico keeping them on the agenda.

While these appointments generally appear friendly to North American trade, they must offer issues. There has been a rising concern in Ottawa calling on the government to replace the system of bilateral trade with the U.S. and Mexico with a more bilateral approach. Called the Canada-U.S. trade, under grounds that the issues with Mexico, particularly on border matters, are very different. But Mexico is likely to remain up to mind for which again given the parade of cabinet members from southern border states to the cabinet, which also includes interior secretary from California Senator Ken Calvert. Already the runnings against the cabinet process have spawned a lot of a backlash in Washington. "It has made it really open people," says Chris Sands, a senior fellow at the Hudson Institute and a specialist in Canada-U.S. relations. "A lot of people in the U.S. government who do of Canada now are North American who also worked in Mexico. They have lived in it as Canada trying to decide who gets into the American party." He adds, "The Mexicans are aware of it and are unhappy. I've visited the Mexico Embassy in talks about what we do as the Canadian and why are they so mad at us?"

Sands points that one of the major issues

that Mexico will focus on will be the so-called Mexico Initiative, in which the U.S. government is spending US\$1.6 billion to help Mexico. Central America and the Caribbean light drug courts. "This will take up a lot of their first-term work," he said. "Spending on Canada," says Sands. Given all the other issues the administration will have to deal with, he says, "I think Canada is lucky

to have Mexico keeping them on the agenda. It takes North America issues up — otherwise the tendency is to hastily neglect the Canadian file." The most likely scenario is that Obama will go ahead with the most recent North American leaders' summit, scheduled for this year in Mexico, and that it will be focused on the economy. "The agenda will be, here are the three big issues in the economy — which given the new policy is the lead of open up the way," Sands says. Obama already met with Mexican President Felipe Calderon in Washington on Monday.

Shannon, the top State Department official responsible for North America, also expects in favor of keeping the bilateral approach. "Some of what we do concerns policy and in character and the border control issues has to take into account Mexico," he says. But Bill Clinton's former ambassador to Canada, Jim Blanchard, says adding an annual bilateral meeting would be helpful — as well as informal talks in between. "President Clinton and prime minister Chretien did regular phone calls without pump and circumstance and hope. They just picked up the phone and talked for 30 minutes, not necessarily preoccupied by anything," he recalls.

Whether Obama puts Stephen Harper on speed dial remains to be seen. ■

Bush's last-ditch effort to go green

BY EMILY SPENCE • In one of his final acts in office, George W. Bush surprised the world with an unexpected green twist. Last week he announced he will grant tens of billions of dollars to protect conservation areas by designating the 15 national monuments. When you include earlier such designations, Bush will have protected more of the world's acres than any other person in history.

The newly protected acres span a total of more than 500,000 sq. km in three separate regions. They include the coral reefs of Bora



BUSH has protected more ocean territory than anyone in history.

Atoll near American Samoa, an isolated archipelago southeast of Hawaii called the Line Islands, and the Mariana Trench near Guam, which is the deepest submerged canyon in the world. The department has to be inquisitive variety of wildlife, including sharks, rays, whales, birds and giant clams. "For marine life and reefs, these places will be crucial to grow and thrive," Bush's administration says in a release.

Commercial fishing and oil and gas exploration won't be allowed in the reserves, says Barb Madfield of the Fish and Wildlife Service in Hawaii. Because of that, the areas could improve the sustainability of the ocean by setting its reserves, helping marine species to reproduce. Bush's plan, coordinator of ocean campaigns for Greenpeace Canada, says that over time this will benefit commercial fishing in nearby regions by allowing fish in the areas to flourish.

Green organizations such as the Pew Environmental Group and Shell, which have long been in the oil business, have been in the oil business for years. "It's an unusual law to protect oceans — a person who has done an amazing amount to protect the planet," the says. "The deadline of him leaving office probably made it all more to go for." ■

Greek growth industry: kidnapping

BY SUSAN MOHAMMAD • For a nation founded on the concepts of democracy and civil order, Greece has been rocked by an unusual source of violence lately. On Monday, prominent shipping tycoon Pericles Panagiotopoulos was abducted by three men wielding Kalashnikovs, the third such high-profile kidnapping since June.

Panagiotopoulos is the 74-year-old founder of Atlas Group, Greece's largest ferry company, and is said to be worth about \$600 million. According to reports, he was watched near his estate home just outside of Athens

to be his way home to work, and forced to go to one of his waiting vans. Police say his driver, who was also abducted, was later found hooded and handcuffed to a bush in Athens, a town 15 km away.

Kostas Panagiotopoulos, a spokesperson for the police, says the vans used in the abduction have been found close to where the driver was discovered. "They were both searched by the authorities," he told reporters. They were removed as evidence from Panagiotopoulos's residence, but this has not been confirmed. The shipping magnate's family has yet to be contacted for comment, and family members are concerned because Panagiotopoulos suffers from a serious health condition, requiring daily medication.

According to Agency Press-Photo, several groups have noticed similarities between that case and last month's abduction of Kostas Panagiotopoulos, a prominent cardiologist from Athens who has yet to be released. Both cases follow the first kidnapping of industrialist George Miliotis, who was released unharmed after 11 days when his ransom, which was less than \$1 million, was paid.

The kidnappings only serve to add to the violence of ongoing street clashes over the final shooting of a 15-year-old boy by police in December. Mailed protests and police are continuing to exchange fire, and school tests go on the streets of Athens, and the government remains in a state of emergency.

The credit crisis and Japan's mob



JAPAN'S police fear the economic crisis will spawn yakuza turf wars.

BY KATE LUNN • No industry is immune to a slide from the global economic crisis. It has devastated manufacturing, investment banking, and now, organized crime. Observers are predicting bloodshed in the streets of Tokyo as rival factions of the yakuza mob mark from the once lucrative financial world back to street-level crime.

Last summer, Japan's National Police Agency warned against the yakuza's growing involvement in the country's financial markets, calling it "a disease that will shake the foundations of the economy." As of August, more than 250 publicly traded companies were on a watch list for suspected ties to organized crime, London's Times reported. But now the Japanese market has been hit by its worst year on record, and mobsters are returning to drugs and prostitution.

In Tokyo's glamorous Akasaka district, where the Sumo wrestlers have long been head quarters, new neighborhoods have moved in. The Inagawa has a school police force from outside the city, but not in a "Tokyo liaison office," according to police. While both law firms have roughly the same number of members (about 10,000), the Inagawa has the backing of Sumo's kiai's members, giving it more influence than the 40,000 strong Police are now looking for them on an all-out war. They suspect mobsters are turning themselves into local problems and are personnel's means, and there is a sense of daylight kidnapping.

Japan's yakuza generally operates with authorities' unspoken consent, says Eric Cline, an associate professor of East Asian studies at the University of Toronto. But law enforcement is close to each other might be too much to ignore. Japanese politics have been so far, and police are working overtime to prevent the market crash from spilling over to become blood on the streets. ■



NIGERIA: PUMPKINS OF LITTLE USE IN A CRASH • To start a new low-renting pumpkin patch to meet the needs, some Nigerians are weaving the dried shells of the pumpkin-like calabash, and print coats, caps, pens or bits of rubber. They complain that most conventional helmets are too expensive, cause skin diseases or leave them susceptible to breakage. Replies a road safety officer: "We need to take them to court so they can explain why they think wearing a calabash is good enough for their safety."

CONTRIBUTOR: MICHAEL R. LEE

BY THE WAY

YOU CALL THIS A SHOWROOM?

This year, Detroit's annual auto party feels more like a wake

BY COLIN CAMPBELL • Strolling through the Detroit auto show feels a bit like wading through a half-empty, carpeted parking garage. Gone are the sad-ass auto-show concept cars that look like they were made by NASA. The Cobo Center on the banks of the Detroit River, instead decked with conventional-looking cars and trucks—most with hybrid badges slipped on the back. Aside from the occasional splash of changing music, there's little trace of the glitz and glamour that were once the hallmarks of this show. They're in Detroit, an apocalyptic, replaced with what seems like cars for hire. At General Motors, that means two pretty models in low-cut dresses, but neither wears muscled suits and wields deft waving signs that read "Here to Stay" and "We're Electric" as they showed off the latest product line.

It was, if nothing else, a fittingly somber premonition for an industry that's fallen on the hardest of times. In the U.S., already-ship sales fell off a cliff last month, dropping 15 per cent. In Canada, where the industry was comparatively resilient for much of 2008, things have slowed to a crawl too, with sales falling over 20 per cent. Auto analysts say there's little work left to do. "If there's any optimism it's just that the market hasn't gone into total collapse," says Dennis Young, president of the Automotive Consulting Group, Inc. in Ann Arbor, Mich. He, like many others taking in the show, predicts that wars won't start to run around until mid-2010.

Business executives couldn't bring themselves to put a cozy spin on the situation. "I think it would be very unimportant to assume that the global car industry, and GM as a part of it, is going to be out of trouble in the very near future," Robert Lutz, GM's outgoing vice-chairman and Canadian developer, said. A small group of Canadian journalists at the show. "This is going to go on until we have some form of economic recovery."

One might think it would be a show where carmakers might at least try to wrap up and

send a boldly optimistic message. Arguably, there has never been a more crucial time for carmakers like GM, Chrysler and Ford to prove that the built-in place of the automobile could still shine for the future. That's the point of a car show, after all: to woo buyers with the best, even most outlandish vehicles ever seen on display. But this is an industry that's spent most of the fall begging for a taxpayer-funded lifeline, and calculating the odds of bankruptcy. It has been forced to halve its private jets and govt in front of politicians. Much as it might want to do a big, there is an equally pressing imperative to show the public that the days of extravagance (not to mention gas-guzzling vehicles) are gone, at least for now. And as a time when what the auto world could really use is a good party, a lot of cars of a funeral—and it was no break at the water tower that swept through the city on the eve of the show's opening.

In many ways, America really didn't need to show to convince them to buy a car. Credit was abundant, gas was cheap and demand was high. They "overbuilt capacity at an unending level," says Canadian auto analyst Dennis Deslauriers. That all changed as the economy unravelled. All companies—not just the Detroit Three—are facing a pinch with virtually no appetite for new vehicles. "It will not be an easy year," says Toichi Yoshimura, president of Toyota Canada. "Consumers will come one customer at a time." Like other executives at the show, he notes that people seem to be looking in their garages and saying, "this car will last another six months or a year, or more if need be."

As if that atmosphere weren't daunting enough, car companies are under economic pressure to show that they're green and green. Since just another Cobo 23. That car is an already-rebated consumer

can't they don't seem to want hybrids (which are almost as golden more expensive than traditional cars) and even electric-powered vehicles (a still unproven technology that relies on lengthy recharge time).

Today, hybrid sales are a tiny fraction of the market—just two per cent. The most successful hybrid model, the Toyota Prius, has sold just over one million units since it was introduced in 1997. Over that time, Toyota has sold almost 100 million cars in total. The popularity of Toyota's hybrids seems unlikely to take it into the top 10 of the most popular cars in North America. "We're going to see a lot of hybrids," says Bob England, president of Chrysler.

And yet, at press event after press event, the U.S. carmakers put the spotlight on their premium, more fuel-efficient cars from the Chevy Volt and the new luxury electric car, the Cadillac Converj over at GM, to Chrysler's spunky Cactus electric car and Ford's new, more fuel-efficient engine, the EcoBoost. Car companies are looking toward "a green, global, high-tech future," says Ford's executive chairman, William Ford, just as executives are convinced this will be a terrible market to come back in the future. But will the Detroit three survive it? Unlikely. With gas prices back well below 100 per cent, one of the biggest sales at GM is the mainstream Tahoe SUV, says Lutz.

The same message was sent large at the base of the convention center, where organizers had set up a white-top track, lined with disappointed race fans and rows of hulking Detroit's now-idle latest electric vehicles, it was really just a showcase for hybrid SUVs and pickups. Motors like the four-door GMC Sierra pickup and the Cadillac Escalade were lined up in front of the track with scarcely a car in sight. They made for a curious contrast of what Detroit would like to be in the

MANY COMPANIES STAYED HOME, LEAVING VAST OPEN SPACES

for 10 years, on the show floor, that any other state could be a few years away, he adds. That makes planning a product lineup for the future especially difficult. "The only thing we know for sure is that the government is going to quadruple our fuel-efficient vehicles," says Lutz. "But we're not sure we can make the public buy them."

And yet, at press event after press event, the U.S. carmakers put the spotlight on their premium, more fuel-efficient cars from the Chevy Volt and the new luxury electric car, the Cadillac Converj over at GM, to Chrysler's spunky Cactus electric car and Ford's new, more fuel-efficient engine, the EcoBoost. Car companies are looking toward "a green, global, high-tech future," says Ford's executive chairman, William Ford, just as executives are convinced this will be a terrible market to come back in the future. But will the Detroit three survive it? Unlikely. With gas prices back well below 100 per cent, one of the biggest sales at GM is the mainstream Tahoe SUV, says Lutz.

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ing (SUVs) and what politicians and activists are asking them to sell (hybrids).

Some car companies are better positioned than others to meet the challenge ahead. The biggest foreign presence at the show was Toyota, with its bright, open display, centered around its new Prius, the king of the hybrids. And there is some glimmer of optimism here, too. While GM left their Canadian executives at home, Toyota was on the PR offensive, boasting Canadian media as an explicit stakeholder at the Cobo Hotel in Windsor, Ont., across the river from Detroit, where it rolled up the new Prius and its 1,000 parents under the hood. "Never mind that Prius sales fell an alarming 41 per cent in December. It was a rare case of an automaker widely expecting a late winter through the gloom." What makes a difference is that view is not, something that grabs your imagination and says, "I never saw this before and I want it," says Toyota Canada managing director Stephen Bonta.

Others, like Nissan and Mitsubishi, skipped Detroit altogether, leaving vast stretches of space empty inside the Cobo Center. Honda, meanwhile, didn't hold any press events and didn't unveil any surprises. Also absent: Suzuki, Ferrari, Rolls-Royce, Land Rover and Porsche. It could be just how grim the situation has become, say analysts. "It's not just a Detroit phenomenon but an entire industry phenomenon," says Stephen Popiel, vice-president of Synovate Motor Research in Toronto. "Everyone is retrenching and saving as much money as they can."

Putting on a brave face, carmakers prefer to chalk up this year's show as a sign of the times. Last year, Chrysler missed the bar on the sidelines when it drove 120 head of cattle down the street in front of the Cobo Center to promote a new pickup truck. It was also well-known for the bar and restaurant it set up for journalists in an old fire hall across from the show. "That ended this year." "We're bringing a lot more responsibility this year and recognizing the customer economy is not only Canada but particularly in the U.S.," says Chrysler's England. "We're keeping the focus on the vehicles and the technology we have in our vehicles."

But analysts say all this negativity is in fact much more calculated. It is really about reassuring politicians and the investment community that the industry is serious about meeting targets, says Dennis Deslauriers, an auto analyst and professor at Miami University in Ohio. There are the people companies like GM and Chrysler will have to lean on if they hope to survive the downturn, but not everyone who isn't going to be buying cars in big numbers. "The perception has to be, we're dead serious. We're not going away and we've gotten the message that we have to change radically," says Deslauriers.

So this year's show may put Detroit in the good graces of U.S. and Canadian lawmakers. But ultimately, it has track the automakers between a rock and a hard place. With no uplifting message about their long-term viability, consumers can hardly feel inspired to go out and buy their cars, even if they do have a few potential winners on hand. (The new Ford Taurus and the Cadillac SRX come over used out as a couple of American studies that don't seem to be coming on power) And with auto workers staging a small protest outside the Cobo Center on the show's opening day, it's clear that the industry's floor now isn't really on the cars. Detroit can't please everyone, and right now, it's pleasing no one. ■



COMPANIES DESIGNED WITH THE ATTRACTIVE FORMS AND STYLING OF 1950s cars, leaving vast open spaces



UNDEBATEKAR SAID TO DIE IN DEATH AND NETH
Hobbesly believed Robert Lutz when he allegedly set up a death trap at his place of work, because everyone in the place was dead. Lutz worked at the Haggisville Funeral Home in Windsor Ridge, Ark. But across the street stood the local police station, and on Dec. 3 the cops noticed a dead body lying on the street. They entered through an unlocked door and came upon the two lives in facing charges.

Accounting can be a dirty business



STEVE MACH

Accountants and penny-pinchers are seldom associated in the public's mind. One group generally omits the options of dull conservatism and the other the bombast of tilt-at-the-mill audacity. One group does everything to be well served, obscuring the other from mercurial publicity. But in the last issue of *The Atlantic*, a rare but important connection between the two worlds was made explicit.

Franco Koenig is just 31 years of age but he's already a well-regarded veteran of the hedge fund business, and last year he launched a new fund focused on the world of... ahem... adult entertainment. AdultVest's assets are said to include equity stakes in everything from movie studios and website hosting deals and legal battles. According to Koenig, the fund is up 50 percent in the past year. That would be a stellar return any time, but against the backdrop of the global economic crisis and plunging stock markets worldwide, it's nothing less than mind-boggling.

"There's no way to verify Koenig's basis," because his is a private business, but *The Atlantic* saw his purported success in evidence that the sex business is recession-proof. Still, the real issue to be taken from AdultVest's remarkable record and robust performance is adult accounting, and a very controversial concept known as "mark-to-market."

How did Koenig manage to make so much money in such an otherwise dismal year? Is he really the first person on Wall Street to discover that human beings have cerebral impulses like most other mammals? Koenig professes not to give away details about his strategies, but he has said that some of AdultVest's successful investments include a stake in a firm, a private company developing web applications for Apple's iPhone, and various website domain names, owned by AdultVest, which have apparently risen in value. So how do you come up with a value for a dot-com domain that you own but haven't sold, or for a name in an unused .com domain? You use mark-to-market accounting.

Mark-to-market means pricing something each day as if you had sold it on your balance sheet, every day, so when you must assess changes in the value of these investments, and report those changes to your investors. For example, say you're running a bank or

an insurance company and you hold millions of very complicated securities based on the changing price of oil, or wood pulp, or mortgages in southern California. Every month or every quarter you must look at all your assets, evaluate what similar assets are selling for, make a few accurate assumptions and come up with a value. This process is only really an complicated computer model and crude approximations. If there's been a drop, you consider decline those gains as profit, and your investors throw bouzouki

at you. The leaders of the U.S. banking industry have lately been blaming mark-to-market rules for most of the current global financial crisis. They argue that the mortgage-backed assets on their balance sheets were actually far more valuable than their book value, but when foreclosures spiked and house prices dropped, the market went into an unrelenting panic. When the banks were forced to mark the value of those mortgages to the market, they were hammered by massive write-offs that threatened their solvency, and that triggered a wider crisis. According to the banks, if they could have just ignored the plummeting market, and held the mortgages to maturity, then the catastrophe would have been averted. In other words, mark-to-market requires too much honesty, and transparency. A little fudging might've helped save a few million jobs.



What is an Internet porn address really worth?

your way if the values have plunged, then you must realize massive write-offs and losses, and shareholders throw sharper objects. It wasn't always this way. Once upon a time, companies and institutions used to value assets based on assumptions, which meant that the values reported on balance sheets frequently bore no resemblance to what their assets could actually be sold for. Mark-to-market accounting was popularized because it provides a more accurate and current picture of the financial health of corporations, banks, pension funds, etc.

We all do a little mark-to-market account-

ing around our lives. When a house drops on the street sell for a lot more than you expected, we all mentally mark up the value of our own home, and we let it sit richer. But does your neighbor's success really mean that your home is worth more? Do the fact that some outside auditor thinks that the value of a new coin has risen over the past year really mean that Adidas is in the money? What if the same auditor next year decides that the value of such shoe addresses is plunging? Are American really poorer?

Believe it or not, that's a philosophical question, and one that lies at the heart of the current controversy over mark-to-market accounting. The trouble is, mark-to-market involves a lot of subjective judgments, logical leaps, and is susceptible to manipulation. Much of Enron's massive deception, for instance, was achieved by playing games with the mark-to-market accounting of its assets. As Enron proved, the system can be gamed to make a good business look like a prison. And sometimes, vice versa.

The leaders of the U.S. banking industry have lately been blaming mark-to-market rules for most of the current global financial crisis. They argue that the mortgage-backed assets on their balance sheets were actually far more valuable than their book value, but when foreclosures spiked and house prices dropped, the market went into an unrelenting panic. When the banks were forced to mark the value of those mortgages to the market, they were hammered by massive write-offs that threatened their solvency, and that triggered a wider crisis. According to the banks, if they could have just ignored the plummeting market, and held the mortgages to maturity, then the catastrophe would have been averted. In other words, mark-to-market requires too much honesty, and transparency. A little fudging might've helped save a few million jobs.

The holes in that logic are obvious, and thankfully the Securities and Exchange Commission isn't biting. The SEC recently commissioned a study that confirmed what most observers already believed: mark-to-market isn't perfect, but it's the best we've got. Still, for the average citizen, the whole debate about it is so nebulous. We'd like to believe that accounting is a solid science of dollars and cents, based on rock-solid numbers and indisputable credible numbers. The reality is it is rife with assumptions, guesses, and depends on the volatile mood swings of speculators. At the very least, it's a strong argument for getting out of stocks and into government bonds as you sleep restlessly.

And you thought porn was dirty business. steve.mach@markto-market.com

Car dealers offer their best deals yet



THE BUYERS have vanished and now the dealers are drying up too

BY COLIN CAMPBELL • The double-digit decline in auto sales has been a disaster for consumers—but it has been especially nightmarish for the dealerships. At Chrysler, U.S. sales are down to match 51 percent last month's (despite dips as barely noticeable) to sell a car a day, on average. Things are starting to look a bit like the auto industry version of *Glimpse Into the Future*.

Dealer profits have actually been falling for some time now. In 2007, they dropped to \$1.1 billion in Canada, from a high of \$1.6 billion in 2006, according to a report last year by Deloitte Automotive Consultants. The problem now is two-fold: not only are people reluctant to buy cars in these bleak economic days, but the dealer crunch has made financing even harder to find if they want to buy.

Last year, GM and Chrysler were both forced to halt their leasing programs, and leading it harder to come by too. It's having a huge impact, says industry analyst Dennis Dossert, because "80 to 90 per cent of vehicles are bought with a debt instrument." Andrew Lamm, director of analysis at *Buyer's Choice*, a GM dealership in Thornhill, Ont., says the dealership's leasing option "has impacted our ability to sell vehicles, but how much is the unknown quantity."

The auto industry says that's why they've got to cut costs, which now total about \$10 billion, are so crucial. They're needed not just to reorganize the car companies, but to extend credit to consumers. The hope is that once consumers again have access to easy credit, they'll start buying.

The other bright fear dealers is that many consumers are now resorting to buying through the Internet rather than buying cars. Such deals reduce the dealers' profits, but don't hurt the dealer's market, says Lamm. "We've been in the business 30 years and have never seen incentives as good as they've been," he says. "The deals have never been better."

Google turns the tables on Microsoft

BY KATE LONIA • Google has kicked off a new battle with Microsoft, and it's borne out a weapon from the computer giant's own chest. Users of Gmail, Google's popular e-mail service, are being told that older versions of Microsoft's Internet Explorer are "unsupported," and if they want to use all of Gmail's features—and it's double-speed—they should switch to Chrome, which happens to be Google's new browser.

Against Explorer's ancient reputation that when they sign into Google's online e-mail application, a "Get faster Gmail" message pops up in the message list. Clicking on the link takes them to a page that promotes Chrome (which launched in September), and Firefox (which Chrome was originally added in the Google Plus application bundle), saying the two browsers are "faster and safer" than Internet Explorer.

Observers are saying it sounds an awful lot like something Microsoft would do. "I think that Google has started to get too big for its britches, making the company look more like Microsoft did earlier," wrote blogger Joe Wilcott on a tech website. Back in 2006, Microsoft successfully built up its Internet Explorer from nothing by making it the most compatible browser with all Windows operating systems.

So should Microsoft be nervous about Google breaking down its model? Tom Timmer, an assistant professor at the University of Toronto's Rotman School of Business, says Microsoft's website actually has about 250 and less than 250 million worldwide, more than double Gmail's 100 million. That Gmail success up by more than 50 per cent in the U.S. last year, while Microsoft saw a decline.

Google, then, could turn out to be great platform to push Chrome, which is much more than just a browser. It's more like an operating system, says Lamm. "It's part of the bigger push to move [a user's] data and applications to the Web, as opposed to the computer," Microsoft could do this, too.

Perhaps all it takes is a browser war. After all, Google's motto is "Don't be evil"—but being a little bit evil only helps. ■

Oil juniors face a nasty culling

BY NICHOLAS HOHLER • After the oil and gas juniors have been hit by the recession, low commodity prices, scarce credit and higher regulatory costs, they are now being hit by activity lower than it has been in 36 years. Calgary's TSX Venture Exchange, which lists many juniors, posted a massive market capitalization loss of \$21 billion for October, leaving almost 75 per cent of its value.

Greg Squires, president and CEO of junior Black Sea Oil and Gas, predicts that in many it's 2009. He says he will soon go bankrupt or be consolidated by larger oil majors. "When the oil goes down, the juniors will be the first to go bankrupt," he says. "The companies will be a lot more careful—and there will be fewer of them."



SOME SAY that as much as 200 junior oil and gas shops will fold

"That could mean the end of the juniors as we've seen to know them. Entrepreneurial and small business, these small firms are the closest thing Canada's Valley-style business culture," argues Gary Laskin, of the Small Business and Producers Association of Canada. Laskin says that in the past 30 years, the juniors will be fewer and larger, transforming the Alberta landscape. The likes of Enbridge, Canadian Natural Resources and Suncor will sell through by buying up all and profitable.

"Why should we care?" "What's potentially at risk is losing a significant chunk of that entrepreneurial class of people that are going to form the great Canadian companies of the next generation," says Lamm. "Canadian Natural Resources is a huge company today, 100 years ago they were a junior with two or three employees."

It's not all bad. The slump has helped develop new and improved drilling techniques, which could lead to little drill. Others are moving into U.S. and South American, or buying their failing Alberta brothers. "It's almost like a good thing," says Koenig. "The oil price plunge. After all, he's confident that he's one of the larger juniors that's left."



THE "YOU SELL," reflecting an idealized version of you back to yourself, has helped drive up consumer debt to the tune of \$1.1 trillion

IT'S ALL ABOUT YOU

The debt crisis is just a symptom: how the new narcissism became a marketer's dream, and turned our economy on its head. An exclusive excerpt. BY LIANNE GEORGE AND STEVE MAICH

Let's face it, debt never was our friend, even though it privileged to be (No money down? Don't pay 'til spring?) We wanted to believe it, and did, so the sum of \$1.1 trillion (your national household debt). In 1986, the average Canadian was \$5,470 in the hole, including mortgage debt. By 2007, that number had swelled by more than six times to \$14,573. During this time, our perception of debt was transformed: once a bogeyman to be avoided at every turn, it's now more like a member of the family, albeit a nagging one, who simply needs to be managed. Most often, this explosion of personal debt is chalked up to years of easy access to capital and low borrowing rates—and that's certainly a major role. But how do we account for our own increasing willingness to surrender ourselves in liability? Over the past quarter-century, we somehow learned to the idea that the luxury of not living the life we imagined far outweighs the consequences of borrowing more than we can sta-

tionably hope to repay. What changed? The truth is, debt is only a symptom of a much more fundamental shift. Turn on any television set, read any magazine or news page, or venture online for even five minutes and you'll begin to notice the language of confidence. Everywhere there is, it seems someone is confirming one of the most useful new-to-us Deft Computers, for instance, says in its "Purely You" campaign: "We don't make technology for just anyone. We make it for only one. You." Burger King tells us to "Share it your way." Ford foods, "Everything we do is driven by you." Air Canada offers you the "Freedom to fly your own way." AT&T promotes "four true voices." "Foolish decisions that you 'Emancipate Yourself' Macra soft asks, "Where do you want to go today?" Pepsi Imports reminds you, "It's Your Thing." Time Warner Cable promises to affirm the "Power of You." The Home Depot gives you on with, "You can do it. We can help." And Alpo, looking out for your beloved if four-

legged friends, asks, "Doesn't your dog deserve Alpo?" The desired response to these slogans is always a variation on the same thing: Yes, I am. Yes, I am. Yes, I do. Yes, my dog does, too.

This is the "You Sell," a pitch that has evolved over time to become the dominant theme in consumer culture. In its simplest terms, the You Sell is the message that you are an inherent VIP. Nobody else can tell you what to think or do. You deserve the best. You're entitled to nothing less. You are unique—original—and as such, each and every choice you make should be a reflection, an amplification, of your essential, irreplaceable self.

The You Sell is in ads for TV shows that allow you to watch your shows on demand—"where you want, when you want." It's in commercials for retailers like Best Buy that invite you to "Get your own." It's in NetScout ads that say, "It's all about you," and billboards for Southwest that tell you, "You're richer than you think"—when the truth is, you're probably not.

When marketers used to primarily sell products or brand values, the y're now selling you—an idealized, self-actualized version of yourself—back to you. Whether the role

of a clothing, computer, or credit card, has become an advertisement, you are the real goods. In fact, You have become the only real product any one is pushing.

Of course, advertising has always promised us a better life through stuff. But later for a, and you'll notice the pitch has changed. The shift is subtle, but powerful. Effective advertising has always involved strategic flattery of desire. But the You Sell carries a different sort of flattery. It is a self-affirming flattery that says the wisdom of it seems to spring forth from your own mind.

Like any advertising used to be about the idea that if you buy a particular product, you will, by extension, acquire an array of desirable qualities associated with that product—glamour, intelligence, physical attractiveness, wit, personal strength. Think



You're richer than you think:

of four quarters credit with a part of Labor Day, you too could join a log cabin party in the Canadian Rockies populated by happy billionaires. This is aspirational marketing—the kind you'd see in a department store, where the men are rarely and the women are liberally and the only thing outwardly separating you from them is a lighter. Aspirational ads ask, "Wouldn't you like to be a Poppo, too?"

The You Sell turns this model on its head: instead of being aspirational, it is affirmational. The message is always de-finitive: It says: You are already perfect, just as you are. You know it, the advertisers know it. Now, it's just a matter of enhancing your inherent specialness and broadcasting it to the world via a whole new array of products.

Perhaps the quintessential example of this shift is the L'Oréal Preference beauty cam-

paign. Since 1973, L'Oréal Preference has fewer than 100 million bottles and collections like Heather Locklear in its TV ads, flipping their hair, and with a very subtle delectable brand slogan "Because I'm worth it." The message was always, if you aspire to be as desirable as Heather Locklear is, you'll use this product. But in 2004, L'Oréal's advertising team got into the idea that women don't want to hear that Heather Locklear is "worth it." They wanted to tell them that they are. In other words, the message shifts from, "they, then what you could be" to "they, this is what we know you already are."

Now, L'Oréal Preference ads feature the same beautiful models with the same soundtrack. But only, instead of hearing it as "NEVER FEEL guilty about self-indulgence, the You Sell tells us. You are a winner, a star."



LIFESTYLE ADS USED TO BE ABOUT ASPIRATION. NOW THEY'RE ABOUT HOW PERFECT YOU ALREADY ARE.



their own internal beauty, this new generation of spokesmodels looks only into the camera and tells you, the consumer, "Because you're worth it."

All advertising is necessarily flattery. But with aspirational advertising, the flattery works on "you" there. It's a world to which you do not (yet) belong, where the people are beautiful, skinny, wealthy, and happy. You can aspire to belong, but the fact that you never quite do is what keeps you buying. With affirmational messaging, on the other hand, the dream would never to you. These ads tell us: All these people are there? They should be so lucky as to associate with the likes of you. In a

series of self-love messages on self-esteem rhetoric, the implicit message that "you're not good enough" is no longer appealing. Cosmetics today respond better to luxury.

Whereas aspirational advertising creates unattainable targets for consumers to strive for in perpetuity, affirmational advertising encourages a different sort of self-fulfillment. The You Sell places the viewer at the heart of every narrative—in the state, the state of the You Sell. It's all about reinforcing the "determination" of luxury, the idea that things that were once seen as luxuries are now regarded as everyone's entitlement by virtue of being able to afford it. You should never feel guilty about self-indulgence, the You Sell tells us. If you, the worst thing you could do is accept less than you deserve, or, God forbid, let someone else tell you what's what. Only you know what's right for you.

James B. Trechell, a professor of English and advertising at the University of Florida, has written extensively on the new luxury: "Call them yuppies, hippies, babies, newborns, or whatever, the consumers of the new lux-



ury have a sense of entitlement that transcends racial class, a conviction that the finer things are their birthright," he writes. "Never mind that they may have been born to a family whose ancestral estate was a tract house in the suburbs."

More often, these days, home is a 700-sq-foot box in the sky, so modernizing a tract house has become the You Sell with its famous endorsement of staggering results. Life is now a life lived "on your own terms" and changing an abode, sophisticated urban centers have driven a host of new startups as new condo developments in every major city on the continent—of them financed by a moment of debt. Mortgage debt in Canada now exceeds \$1.1 billion, more than twice what it was 10 years ago.

But this is certainly not the only place where the You Sell has helped to fuel a consumer culture. In the world of television, celebrities, actors, and comedians—they're all the darlings of the masses now. Things we need to consider want-to-be celebrities, television,

washers and dryers—have largely become passé. In a 2006 Pew Research Center study, two-thirds of Americans reported they needed (rather than just wanted) a microwave oven; this compared to a decade ago, when two-thirds saw this appliance as a pure luxury. Ninety per cent now say they need a washing machine. Seventy per cent need an air conditioner. Half say they need a home computer and a cellphone and almost a third need high-speed Internet. The You Sell tells you it's your marketplace—not just to have everything you want, but to get a B+ upgrade, too.

Like aspirational advertising, the You Sell is built on the understanding that we all consume products in actual moments for constructing the personal identities we wish to project to the world. Just whereas the former is primarily used to sell us on aspirational qualities—specific traits like glamour, dominance, sex appeal, sophistication, etc.—the virtue that is sold by the You Sell is You. Affirmational ads push one's own fits all notions of individuality, self-worth, and entitlement. In inviting us to selectively piece together "your" burgers, "your" home computers, "your" airline, and so on, the You Sell helps us create a patchwork sense of self—the self we would be if our identities really were built

around that they're not actual. What a great formula for a business.

The You Sell ignores the inherent contradiction that if everyone is special, no one is special. It knows that you will ignore it, too. Media theorists have suggested that the best aspirational ads—in danger of being called wishful thinking of our noses—run actually function to make people envious of the version of themselves they might become. Affirmational ads, on the other hand, pretend to wish us a modified You and entice us to fill in love with our own reflections.

Frantically with my pen, the You Sell

THE THINGS WE WANT HAVE RAPIDLY BECOME 'YOU'S'



robustness everyone equally because everyone's a potential self. But one of the great paradoxes of the You Sell is that the more we all buy into it—the more we thought "individualized" we express—the more homogeneous we become as a group. There can only be so many variations of status signifiers in the public's consciousness as signs themselves and the more status a product or brand carries, the more people choose to incorporate it into their personal identity scrapbooks. We all want to project the same signifiers to send the message "There's no one else like me!"

Critics of consumer culture may be quick to deride this approach as a product of corporate psychological engineering. But in fact, consumerism is always about symbols, so much so that some consumers in more recent years like to downplay the fact of the average buyer of stuff. The You Sell is

simultaneously successful right now, but it is largely a byproduct of a generation of relatively political calm, technological advances, and spectacular economic growth. It exists because, for years now, people have had cash to burn. Increases in real income and decreases in family size have allowed for a major boom in discretionary spending. In 1973, a median families spent, on average, 65 per cent of their annual economic output on primary necessities like food, housing, and clothes, according to the U.S. Bureau of Labor Statistics. In 2005, families spent only 49.6 per cent, or just under half. With so much extra cash, we had the luxury of allowing our needs to become more sophisticated, and less pragmatic. Food as we ate with deeply vacuum economic futurism, this is a decidedly impractical mindset to hold.

And so, as tempting as it is to pin this consumer theory on the "corporate machine," the You Sell is a machine we've all helped to build, and we lived it every day. "There's a lot of talk about that goes on in popular culture about how bad consumer society is because of the producer side, too," says Robert Koenig, a marketing professor at York University's Schulich School of Business. "There is no point about, producer that's doing this or that. When an individual comes to me to help, people usually want a lot of stuff." We've always known that stuff costs money. The difference now is that the inner voice that used to tell us we can't afford something has been increasingly drowned out by a ubiquitous network played over and over again. We've worth it. From a marketer's standpoint, nothing could be better than seeing it. As for the rest of us, the real question is why are we so desperate to hear it? ■



An adapted excerpt from *The Logo Book: Why The World Really Does Revolve Around You* (May 2007) by Steve March and Lauren George, available on Jan. 27

BRITAIN: O LORD THY HELP IN WAGES LOST

Minister of the state of the economy, the Church of England has passed their new prayer. One is for the newly left-out. "The Prayer on Being Made Redeemed" says in part, "Here we are and I say out to those on, help me to think clearly, and clearly my soul." The other is for those off it working but feeling their lack. "Who will be lost to me? I will cope with the loss as best as I can, but I need the help of the Lord for those returning in the Workplace."



ELECTRONICS companies would have to use the NFL to compare the 3-D revolution

GET IN THE GAME

TV sports in 3-D is awesome, but don't load up on nachos

BY STEVE MARCH • The future of televised sports will awaken your palate. It'll give you thrills. It'll also, occasionally, make you want to throw up. But they're working on that part.

Last week, amid little fanfare and only modest advance billing, Sony, Fox and a California company called 3-D by Design publicly demonstrated their live, 3-D broadcasting technology, featuring the national championship of U.S. college football to select movie theaters across the United States. And while the matchup between the Oklahoma Sooners and Florida Gators won't be remembered as a classic, it will add to our taste in history.

Broadcasters like to promote coverage that is "better than being there," but now they have a tool that puts that claim with teeth. In 3-D, we can get the sensation of standing on a sideline on the sideline at Dolphin Stadium, lining a pass at full speed in front of 10,000 screaming fans, or looking in a 30-yard bomb in the end zone. Let us state categorically that watching live football in rich 3-D is awesome, and those dimensions are, for the most part, totally awesome. Those tight shots of players and coaches huddled on the sideline? It's like you're standing five feet away, taking off Gatorade. Binge-watching

him and diving catches? You might as well be standing on there in pads, watching the play unfold around you.

But the strongest demonstration of 3-D technology wasn't even the game at all. It was a two-minute 3-D film called *Bad to the Bone*, which played during a commercial break and featured two scenes shot of actors carving up meat wieners. It was absolutely mind-blowing—plating the subcutaneous meat showing the chattering cut of men carving wieners—and if 3-D sports could ever become that kind of cinema work, you



IT'S LIKE YOU'RE FIVE FEET AWAY, DOLLING OUT GATORADE

would truly be witnessing a new cinematic experience.

Whether we ever get to that day remains very much up in the air. Live multi-fidelity technologies, 3-D is buggy and gimmicky. Just last month, theaters played last week's game between the U.S. and there were good reasons why. Fox might have wanted to keep the public something—a low-key offering. It's going to take time and money mastering that same zip, and even then, the business model is not entirely clear.

After 16 minutes of listening to comments from Kenny Albert (ask about the 3-D angle: "How cool is that in 3-D?") Do you think that "how cool is that in 3-D?" How do those famous look-in-3-D? "I mean, these viewers are watching the scene would cut out. And that was the loss of the problems.

As impressive as the sounds were, it's not clear how well they will satisfy dedicated sports fans. For instance, the 3-D effect is most fun from the low shots and close ups. The farther they are from the players, the more they feel like they're watching a live event. But in any event, fans can tell you, the wider aerial shots are important for watching a play unfold. In its effort to showcase the technology, Fox leaned heavily on hand-held camera effects, which made for some powerful 3-D effect, but was a lousy way to follow what was happening in the game. If they do this when they start rolling out to bigger audiences, sports fans will tire of 3-D before the first half-time show begins.

More troubling was the tendency of the stage to resemble without wanting, and with nauseating results. When the camera lens flares, it wasn't just a minor annoyance. Like a screen going fuzzy. The feeling was more like having thick glasses slipped suddenly over your eyes. It happened about three times over three hours and with each occurrence the 30-or-so people in the arena all groaned in unison. A word to the wise: avoid movie theater live dogs at all costs, and this rich media vehicle is doomed.

For all the apparent enthusiasm for live 3-D games, it's not possible that the technology will prove to be a dead end for the industry. Broadcasters are making major investments, like the Super Bowl, into movie theaters in one thing, but the technological investment is only modest. Several companies are already in the 3-D home. Like most companies would love to see the NFL, and other pro leagues embrace the 3-D revolution, so it would likely translate into billions in revenue from selling "3-D ready" TVs in the years ahead. But getting 3-D games onto the TV dial will involve complicated retransmission and broadcast rights agreements. Local networks affiliates will resist against any revenue cut due to the audience for its standard and HD broadcasts, and it's far from certain that millions of home viewers would rush out to get 3-D players, especially if it involves making a hefty up-front investment for a new TV.

For now, 3-D is a promising technology that nobody quite knows how to do well. If they play it right, you will see better the feeling of being at the field on Super Bowl Sunday. If not, well, you're watching what happened to the last 3-D revolution, back in the '90s. ■

ROCK HARD

As the sport of curling gets more serious, so does the drug testing

BY COLIN CAMPBELL • When John Morris, a member of Kevin Martin's world champion curling team, played the Commonwealth Cup in Cornwall, Alta., last winter, he was fired to take part on one of the less glamorous sides of today's elite: athlete—hardcore on a scale unlike the drug testing. Random drug tests are becoming commonplace in curling. Morris has benefited three times this season. Martin, the team's skip, and his vet and Matt Kennedy have each been tested twice. This month, the drug tests are being ramped up because officials state that curlers have to submit to random tests at anytime, not just at major competitions.

Curled joined on performance-enhancing drugs might seem a bit laughable—traditionally, the only drug abuse in the sport has been Lululemon-related. But the strict anti-doping measures are part of the quest to professionalize the sport, which has undergone in recent years. Long gone are the days when beer-bellied curlers strolled their way with cigarettes dangling from their mouths. Nowadays, thanks to training with professional trainers and sports psychologists, the winning edge is more brain (2 months of the year, building muscle to help them swing harder and increasing their stamina to play grueling 3-to-6 hour tournaments. Before a game, curlers are starting to look a lot like actual athletes.

Martin is one of the pioneers of the new athletic brand of curling. He started eight years ago, he says, after moving the kind of intense workout Gary Noren applied to the game of golf. Now, when they're not curling, Kevin Martin goes four days a week to the Hockey Impact Training Center in Edmonton—the same place NHL stars like Doug Favara and Cam Ward work out. "Our win loss was always around 60 percent," says Martin, about his pre-training days. "After

our first year of training all summer, we went to 91 per cent win. That's an incredible increase." Jennifer Jones and her women's world champion team also train 12 months of the year and, like a lot of NHLers, practice yoga to help prevent injuries. Curling, says Jones, "has turned it up a notch."

It used to be that curling was dominated by the 40-plus set. But today's top teams aren't past 30 in better shape, they're stacked

LIKE A ROCK: Kevin Martin (right) and his team train year-round



with foot and players in their 20s—the positions that do the game work of sweeping counter the speed and path of the stones. Team Martin's John Morris, one of the best sweepers in the game, is 35 years old. Morris, who is a personal trainer in the offseason, just turned 36. Sweeping puts tremendous stress on a player's upper body, as strength is critical to sweeping games. "Good sweeping makes you more shots than people give it credit for," says Jones. "The harder your front end can sweep for as long as they

TODAY'S TEAMS AREN'T JUST IN BETTER SHAPE, THEY'RE ALSO YOUNGER

can, the better they'll be." Teammates, on the other hand, focus on one body strength and leg strength—for a good solid push out of the back.

"The game has changed," says former world champion Scott Brundage, who is now the high performance manager with the Manitoba Curling Association. In the '90s, Lululemon's vitamins used to turn your round, but "not a lot of teams pulled up on that," she says. The real truth came with the 2002 Olympics, says Scott Arnold, a coach with Canada's national curling program. They were "a lot of an eye-opening experience for curlers."

The more strenuous physical training has caught on at junior levels too, he says. Top athletes and coaches say it's unlikely curling will fall victim to a drug scandal. Sweeping may help sweeping, but players have to maintain the "touch" in order to throw—these elite trumps muscle power, says Morris. But all eyes are on the lookout for more than muscle-building steroids. The chief concern across the sport is the recovery of injuries, and beta blockers, which can help a player calm down and focus on a shot, says Gerry McDermott, the high performance director at the Canadian Curling Association. These kinds of drugs have been used in showing sports like basketball, which have a similar rhythm to curling—bursts of activity followed by the need to conserve focus.

So far, there's only been one positive test in curling, in 2004, when Joe Foweraker was caught with cocaine in his apartment in the Canadian Intercontinental in an incident on the Canadian Centre for Ethics in Sport, he denied doing the drug, but admitted to having "partied hard" at the time—something that's a crime, even if it's a one-time offense. The case could be a setback for the sport, but it's also a wake-up call for the sport.

FIGHTING BACK WITH MUSIC

What do you do when your life's been a train wreck? Sing about it.

BY BEN MACDOON • "I was dreadfully sad for a while," confides John Lefebvre, almost apologetically, from his home. One of his homes. Not the one in Malibu, Calif., which has a whole different vibe. This one is on Salpêtrier Island, the Gulf Island with 11 Chignouan pop capitalization of organic environmentalists, hippies, artists of every sort, conspiracy, philanthropists, contractors, dreamers and social critics. Perfect, in other words, for the Calgary-born Lefebvre, 55, who is all those things and more.

Lefebvre's cantankerous voice made him a main source of controversy, except, somehow, he kept on the radio. When to begin? One could start in 1969 when, as a 17-year-old, he had the misfortune to tell his dad to get out of his house. Not the one in Malibu, Calif., which has a whole different vibe. This one is on Salpêtrier Island, the Gulf Island with 11 Chignouan pop capitalization of organic environmentalists, hippies, artists of every sort, conspiracy, philanthropists, contractors, dreamers and social critics. Perfect, in other words, for the Calgary-born Lefebvre, 55, who is all those things and more.

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ANILE-DEEP in trouble: Lefebvre was charged over Nutter's

"It's for me to say that I loved you about everything I know about," he says. "I came to terms with the fact that this was becoming a very expensive hobby for all of my friends." He went back to the job, eventually doing real estate work for Calgary developer Stephen Lawrence, who was under a \$1 million dollar contract to build a house for Lefebvre. Amongst millions of international currencies were problems with using the site as a middle man for processing payments of their own and losses at online casinos and poker sites. But Nutter's popularity soared with a US crackdown on online gambling, and though it isn't a gambling site, both Lawrence and Lefebvre were arrested in January 2007 and charged with criminal con-

spiracy for transferring gambling proceeds. By then, neither man was a director in the company and both had sold off all or part of their shares. Lefebvre, who says his net worth was once in the neighborhood of \$100 million, was arrested at his home in Malibu. He spent a week in jail before posting his million in bail. Before he was arrested, he was in a courtroom about recording with John Allen, a record producer for Anne Murray, Kenny Rogers and George Jones, among others. The focus of the recording was dominated by being arrested and confined to the five southern districts of Los Angeles," says Lefebvre. "Well, if you're stuck in L.A. for eight months, they're got some pretty good stuff at there." The CD—made with an A-list of session musicians—was a creative distraction from the stress of his court case, he says.

Both Lefebvre and Lawrence pleaded guilty in July 2007, avoiding further jail time. "On one or two," he says, his lawyer suggested considering an attorney the FBI "to make sure how the business works." The company and its two founders were also hounded with national news. "There was [Lawrence], myself and the company, we were kind of a target. My portion of that was \$40 million," says Lefebvre. "That's a lot of good away money." And if he's not the solvent, he dukes "I'm fine," he says.

He avoids discussing his case or his views on American justice. He prefers to talk about his music, and perhaps that's a reason for this. A song like Mr. Nobody can say a lot of things. "That's a word that used to have more," he says. "Now it's just another word in your face. Look at the first line, 'miserable me.' Maybe it's just a song, or maybe it's a way of fighting back. That's the beauty of music in Lefebvre's world. It has no constraints. Music is free."



TWIN BARS ARE HERES BEFORE THEY'RE BORN
After and before the preview the lower of the two stars for their pre-birth names. Doctors found that the twins' increased blood inside mother Michelle's womb exactly matched a concern about her cervix, possibly saving her life. The situation required immediate chemotherapy, which resulted in the twins being born dead. Mother's health came through it fine and Michelle has been nominated for a cancer award this month.



SURFING CHAMP UNIMPRESSED BY SHARKS
So they haven't been finished in recent days in the Association of Surfing Professionals World Junior Women's Surfing Championship in Sydney. The winner met a name double because five years ago, when she was 12, her first wave was a shark off by a five-meter-high shark in Hawaii. She was back surfing just three weeks after the attack and while she has only one shot to paddle with, Hamilton is now ranked in the top 20 worldwide.

THE BACK PAGES

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A movie based on Marc Lefkowitz's *2001*

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Why Lenny from *Seinfeld* is still relevant

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Why men's health is the key to *2001*

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Daniel Craig vs. Tom Cruise

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Ridiculous playground

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Rules for online dining

Literally leaping off the page

Reality and fiction collide spectacularly in Cornelia Funke's beloved 'Inkworld' trilogy, a magical ode to reading BY BRIAN BETHUNE

The English-speaking world's favorite foreign reader can hardly wait to have a look at Stephenie Meyer's vampire musings, and especially the film version of *Twilight*. Although Cornelia Funke's two teenage children have seen the movie 10 times between them, the German-born, Los Angeles-based author hasn't been able to go the always avoids why writers' fancies whenever concerned, as the movie, on one level in progress. It's not just her kids' enthusiasm that makes her cautious, Funke explains. "Everyone who has seen *Twilight* and they say to me 'how do you like this character is just like Edward,'" Meyer's response hasn't been that, even if she shares his name—book—with Edward's mom for her own afflictions. Meeting up with Funke, though, is the way *Twilight* screenings, by leading all with the trailer for *Inkworld*, has ramped up even for the fan base about her own potential \$100-million blockbuster, set to open on Jan. 25. It does seem an odd pairing of audiences, at least at first glance: *Twilight*'s swooning

vampire romances seem a world away from those liable to be drawn to Funke's magical tale of 12-year-old Meggie and her friend, Mo. Also known as *Shadowheart* for his extraordinary ability, Mo can bring characters to actual living, breathing life when he reads from a book. He discovered this power when Meggie was a baby, reading so eloquently from *Inkheart*—Funke's novel within the novel of the same name—that the book's child villain, Capucien, a rascal up working on Mo's cottage floor. Worse, Silverfang, a small, scary, scary read, so to the book—meeting into Capucien's terrifying medieval world—Bess, his wife and Meggie's mother. The story opens with Mo still looking a way to bring back Bess, on the run from Capucien, who wants to turn Mo's talent to his own use.

But the divide is superficial. The same two girls swooning at Edward's every onscreen appearance were the enthralled 10- and 11-year-olds who made *Inkheart* a bestseller when it was published in 2001. Funke, who calls her book "a love letter to all those assimilated by books as I am," critical one of the richest in authors ever in children's fantasy (in recent years only Philip Pullman's *Golden*

Compass darts out a bear comparison: "external human souls in animal form, Germans also identify it with, in imagination and in fact take them, through the characters' youth has become fixed in one animal body at adulthood. Has anyone ever better captured the endless possibilities of childhood?"

Funke took what we often call the "magic" of reading, the everyday art of weaving characters and worlds "alive" through words, and made it literally true and powerfully attractive. Her *Inkworld* trilogy—*Inkheart* was followed by *Inklight* in 2005, and the conclusion, *Inkdeath*, last December—has sold 400,000 copies in Canada alone. And the novel's pace with the original readers, moving on the way of J.K. Rowling's *Harry Potter* series—from just-so-story-enough huff to the more complex YA themes foretold by the concluding novel's title.

Funke thanks those first readers who she played with the movie too, the certainly is, and why not? She saved her bottom-line demand, to have *Shrek* and *Peter Pan* play Mo. The author dedicated *Inkheart* to those who believe the magic. She offers "books" as gifts, from actors when visiting a new character—Bibi Andersson was the model for her down at the level detective searching for two runaway captives in *The Thief Lord* (2003), her first big hit in English (although he doesn't appear in the film version)—because series, unlike friends and neighbors, "don't complain when they disappear themselves." When she began to birth out Mo, Funke says, she thought, "I need somebody, somebody who plays with his daughter, who has a voice attractive enough to lure characters out of books, and I remembered I loved them in *Gold* and *Mosses*."

After the English translation appeared, Funke sent a copy to Fraser's agent. Two months later, she received a letter from the Canadian actor with photos of himself. The Fraser and Funke exchanged visits in Hamburg and Los Angeles, and because that first "I put in writing in the movie rights deal," she



PHOTOGRAPH BY JAMES H. L. GARDNER FOR THE NEW YORK TIMES

THE HERO of the books was modeled on Brad Pitt, who now stars in the film

was a matter of fact. "People told me I'd never get the publishers to agree, and it's true they didn't like it, but the director [Jared Shale] thought he was a good choice."

Funkle's mature looks, sadness at children (and not a day older), the element of magic and the eventual Hollywood treatment all made it inevitable that she would be tagged "the German" (J.K. Rowling's "leaves well known" is the Harry Potter connection). The British publisher who discovered Harry Potter's career is also the man responsible for bringing Funkle's books into translation, after a bilingual nine-year-old girl, who had just moved to England from Germany, sent him a letter asking why her favourite author wasn't available in English. Cunningham decided to investigate, and Funkle was ready for him. "My German publisher had always told me English speakers simply didn't read translated books, that I'd never be able to sell my stories in England or America. They wouldn't translate them. So I paid my cousin to do it." That cousin there was a version of *The Time Lord for Cunningham* to read when he came knocking.

Funkle was ready not just because she's ambitious and optimistic by nature, but because of her complicated response to her own Germanness. She wanted to be in English because she felt, as she still does, that "in many ways I am more English than Ger-

man." Her life-world is that through with school of the English language books she loved as a child, especially *The Chronicles of Narnia* and *The Grapes* (based on a Catholic family). Funkle was given French as a first communication period, while her younger brother received Mark Twain's choice. "I made him trade!" She was a reluctant at first to use the German element in her work, however obvious it is to a foreigner faced with a Brothers Grimm tale full of dwarfs and mountains. "I used to think, 'Why did the gods make me German?'" Her gothic/fantasy/country, the 50-year-old author says, "really broke with that part because our folk traditions were divided by the way the first two used it. (But of course I was raised on an old fairy stories, and I guess it shows)"

Funkle has recently wanted to change her name on her heritage and came to terms with it, as a literary way. Adult English speakers, particularly in North America, pick up translated fiction to reluctantly as they watch subtitled movies. Children, though, are

only for the story, and far from being put off, have always found a host of foreignness evoking, from John Verne and Alexander Dumas novels in the 19th century to Funkle's contemporary fantasies. "They come up at bedtime," Funkle laughs, "and I ask one, 'How do you say this word or that in German?' and I tell them and they go 'ooh!'" For the kids it's like asking J.R.R. Tolkien to say something in Elvish.

Her German roots have also infused her writing with a magic mix of history, Funkle says, "a sense of how things fall apart, how neighbour can turn on neighbour, how you

FUNKLE'S BOOKS are woodcuts. Brother Grimm-ish tales



She feels as English as German, but children find her foreignness enticing

have to hold on to hope even when it seems nothing can be traced. That's very useful for a writer." And also for her personally 30 years ago, when her husband went from cancer diagnosis to death in one short month. In the open letter Funkle wrote to her first after Rolf's death she said that, as someone who had always believed herself lucky in life, she had recently kept an eye out for the "bad times to come, for they eventually come to us all." Funkle had already finished *Brothers Grimm* when Rolf died. "So it's not like some people think, that the dying and the loss in the novel

came from my life. It's more like the writing prepared me for what was to come. I'm sure it will change my writing in the future; it will be richer, less sentimental."

That effect, along with the ongoing pull of what she calls her Anglo and German academics, seems already evident in the book Funkle is writing now, *Jackie's Book*. Shortly after Rolf's death, Lionel Wyman, a friend and the producer of the last two Harry Potter films, asked her if she was interested in co-writing the film script for a fantasy version of *The Watercress*. "Of course I was interested! It was originally based on a German story by E.T.A. Hoffmann and it has all kinds of dark magic for older children that are almost never brought out in the ballet." That soon after they finished writing, the project had to be shelved when another *Matrix* movie was announced. "For Lionel it was, 'That's the movie business! But I won't be about to shelve my part.'" Funkle began to turn the script's themes and characters into a book, and because she had written in English with Wyman, embarked on her first English-language novel.

It wasn't long, though Funkle decided she was spending too much time and effort on the language as opposed to the story. "I wanted to bring everything I had to this book." And that meant returning to her mother tongue. No longer a rule on *The Watercress*, Jackie's Book is a tale that Funkle believes "reflects the longings of Europeans in America," a longing for the world they've lost. "The world of the story, which

you enter through a door in New York, it is a mix of medieval and Victorian fantasy—there are iron bridges and there are gingerbread houses. And some very dark forces. I set it in a village the Grimses' fairy tales that would lead to death in childhood and having them meet other adventures." It sounds as brilliant a concept as Tolkien's reading card, in fact like its mirror opposite. The entire's not characters coming alive off the page, but the author weaving herself in as metaphor. German and Anglo influences clashing in the New World. Just like Cornell's Funkle. ■

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1984? He's still a child. The true test of whether you're doing it right is if any *adult* at your table is horrified at your behavior.

How to order in an Asian restaurant

Buy the sushi chef a beer and never ever pester the waiter with menu questions.

"Now you have your own personal sushi chef," he writes, "and there's no reason to ever go to another sushi restaurant." ■

MADONNA
 went into January, because she
 is spending the month gorging on their flesh,
 in which Madonna seeks to take 10
 reportedly doing cardio work in the gym.
 Another of her current beauty secrets
 is to eat with her mouth full. It's Kabbalah,
 she spends US\$10,000 a year.

CINDY KAMPMEINERT

1967-2008

When she wasn't fighting fires, "Cins" marched in the Honour Guard—and to the beat of her own drum

Cindy Kampmeiner was born on Nov. 14, 1967, in Hellevoetsluis, an island town in the Netherlands. A mix of Dutch and Indonesian, she was an adorable child, with olive skin, deep brown eyes and a matching head of hair. Everyone called her "Cins" for short.

"Baby Cins" (and later, "Big Cins") was only five when her parents, Ralph and Brenda (née Van der Saal), immigrated to Canada and settled in White Rock, B.C., where

"Papa" found work as a land surveyor in the nearby city of Richmond. The new kid in the neighbourhood had no real friends. Forever smiling, she was confident and athletic—and for more comfortable playing sports with the boys than playing house with Marique, her older sister. "They were complete opposites," says Cindy's brother-in-law, David Williams. "Luckily, Marique was the girl and Cindy was the boy."

School was not Cindy's strong point. She adored her teachers—and the feeling was mutual—but sailing through an entire math lesson was pure torture for a first grader who, like her father, would leave math rather than keep repeating. By Grade 9, Cindy was skipping classes (except gym, of course) and flunking courses. At 16, she climbed behind the wheel of her dad's Volkswagen Beetle and embarked on her first solo road trip—to San Francisco.

Nobody was shocked. Or particularly angry. It was just another example of Cins being Cins: the harmless, free-spirited wanderer who craved adventure, yearned for more romantic involvement to join the sexual revolution and never missed a meeting place. She was nothing if not unpredictable.

In her 20s, Cindy journeyed back to her native Holland to study carpentry. She then returned to B.C. as a certified cabinetmaker when it was only a matter of time before the ever restless Cins began for something more. "As much as the loved woodworking, it didn't really bring her the personal satisfaction she desired," says Amanda Holmgren, whom Cindy often described as a magnetic mother. "The worst word that ever got a job." She wanted to be a firefighter.

It would not be easy. Whichever—especially specify gay women like Cindy—was a rarity in the brotherhood of firefighters, but Cins was so determined to break the mould that Amanda offered to pay her tuition to the training academy in Arkansas. "There's this larger

than-life gay female going to Arkansas, which Cindy described as the most remote place on the planet, and managing to get through their fire school," Amanda says. After graduation, she landed a job with Vancouver Fire and Rescue Services.

Her new colleagues—"My boys," she often affectionately called them—embraced her immediately. She was tough, tenacious, hilarious, and hard working. Famous for her "Cindy stare" ("Suck it up, burner cop!") she liked to describe her job this way: "I put the wet stuff on the real stuff." But Cins did so much more than that. She joined the Honour Guard, the volunteer unit that carries the caskets of fallen firefighters. She covered the chef to lead her a fire engine for the annual Gay Pride Parade. And every shift, she risked her life to save others, responding to horrific scenes of courage and death that would draw hundreds more seasoned firefighters.

When she wasn't at work (or in flicks like whipping up her latest secret recipe), Cindy was outside. "One day she would be taking with her dog, Birdy Sue, on the North Shore. Another day, on the next day she would be paddling on her own canoe on the waters of Vancouver," David says. "There was nothing she would say this couldn't do—or at least try to do. To say she was larger than life seems so true, but she only was." In November, just before leaving on an extended vacation through

Nepal, India and Australia, Cindy asked her friends to do her a few dance troupes. She begged them instead, found an orphanage in Kathmandu, and donated the loan to the children.

On Dec. 13, Cins was travelling through Coxsack, N.Y., in a rental minivan, and like the Cins on all her excursions, she stopped by the local fire hall to say hello. After a quick tour and a few pictures, she climbed back on her bike and waved goodbye. Shortly after, happened later minutes later, but sometime that day her motor cycle collided with an oncoming bus, breaching her consciousness. Over the next seven hours, Cindy was rushed to three different hospitals, despite the heroic efforts of a complete stranger—a 32-year-old British tourist named James Reine—who stayed by her side the entire time. Case never woke up. On Dec. 14, her body arrived back in Vancouver. Before members of the Honour Guard were waiting to meet her



BY MICHAEL FEINBLAU

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